



A Passionate Life

ANNUAL REPORT 2017





A PASSIONATE LIFE

Passion is a life skill—a stance—that helps bring vitality to all your engagements, from work, family and school life, to creative, social and spiritual life. And it's a survival mechanism critical to health and well-being because your attachment to life depends on your interest in it. MCB provides that passion to every man who is struggling through his life and aspires to achieve more, the colours of MCB add significantly to the lives of its customers. The colours green and blue are more than just shades. Green, the color of life, renewal, nature and energy, is associated with meanings of growth, harmony, freshness, and safety. Blue, also represents meanings of depth, trust, loyalty, sincerity, wisdom, confidence, and stability. MCB as a banking partner adds colours of passion in our life.

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VISION

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



MISSION

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

STRATEGIC OBJECTIVES

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



PASSION FOR A SECURE LIFE

Financial security is a lifestyle characterized by appropriate and well thought-out decisions and consistent behavior. It's often overlooked yet it's a key component in professional and emotional success and well-being. MCB makes sure that the problems in your life are identified early and solved efficiently. MCB helps you choose better, think clearer and make wise decisions. MCB wants its customers to stay passionate about their aspirations and to have a worry-free and secure life thus adding colours of security to your life.



PASSION FOR PROGRESS

MCB knows that you will need a reliable financial partner to cement your plans to prosperity and share smiles further. Whether you want to jump in all the puddles on a rainy day or tell it to come again another day, when the journey of life gives you unpredictable weather, MCB ensures you are all set and well protected to go dancing in the rain. MCB is your Bank for Life and so it stands next to you, at all the times of need, all the celebratory moments, all the stressful hours, whether the road is long, or the hour is dark, MCB stands behind you ready to offer a push upwards, a steady hand to grab, a shoulder to lean on. MCB has always helped its customers embrace a positive change in their lives, thus adding colours of progress and passion to their lives.



PASSION FOR BUILDING TRUST

MCB, as your banking partner shows trust in your abilities to achieve your goals in life. We strive to enhance the trust of our esteemed customers by making their needs our top priority. Each transaction adds to the trust in the institution thus making your life free of worry. We make sure that we keep igniting that spirit for you and your life stays passionate.



PASSION FOR HAPPINESS

At MCB, we make sure that are customers are satisfied with our banking services where every transaction gives a bigger benefit than it is worth! MCB tends to keep you happy by providing you with banking solutions like home remittances, personal and business loans. We make every effort to exceed customer expectations and give them a passionate life by fulfilling their basic requirements from needs to luxuries.



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

2017 Euromoney Awards

2017 ICAP and ICMAP:

2017 Assets AAA Islamic Finance Awards

2017 Assets AAA Infrastructure Awards

2017 Assets AAA Infrastructure Awards

2017 Assets AAA Infrastructure Awards

2017 Asiamoney Silk Road Finance Awards

2017 Asiamoney Silk Road Finance Awards

2017 Asian Banker Awards

2017 Finance Asia Achievement Awards

2017 Assets AA Country Awards

2017 CFA 14th Excellence Awards

2017 SAFA Awards

2017 SAFA Awards

2016 Euromoney Awards

2016 1st Pakistan Banking Awards

2016 Finance Asia Country Awards

2016 ICAP and ICMAP:

2016 First Global Awards:

2016 Assets AAA Country Awards

2016 SAFA Awards

2016 SAFA Awards

2015 CFA 12th Excellence Awards:

2015 Finance Asia Country Awards

2015 ICAP and ICMAP:

2015 SAFA Awards:

2014 The Asset Triple A:

2014 The Asset Triple A:

2014 CFA 11th Excellence Awards:

2014 CFA 11th Excellence Awards:

2014 Asiamoney Awards

2014 The Asian Banker (USA)

2014 ICAP and ICMAP:

2014 SAFA Awards:

2013 The Asset Triple A:

2013 The Asset Triple A:

2013 ICAP and ICMAP:

2013 LK Domain Registry Sri Lanka:

2013 Lanka Clear Pvt. Limited:

2013 SAFA Awards

2012 The Asset Triple A:

2012 Euromoney:

2012 NFEH:

2012 ICAP and ICMAP:

2012 World Finance:

2012 Pakistan Centre for Philanthropy:

2012 SAFA Awards

2011 CFA Association Pakistan:

2011 CFA Association Pakistan:

2011 Euromoney:

2011 ICAP / ICMAP:

2011 SAFA Awards

2010 The Asian Banker:

2010 The Asian Banker:

2010 MMT:

2010 ICAP / ICMAP:

2010 SAFA Awards

Best Investment Bank in Pakistan

1st - BCR Award 2016 - Banking Sector

Best Project Finance House in Pakistan

Project Finance House of the year in Pakistan

Renewable Energy deal of the year

Transport deal of the year

Best Regional Bank in South Asia for Belt & Road Initiative (BRI)

Best Bank in South Asia for Belt & Road Initiative (BRI)

Strongest Bank in Pakistan

Best Pakistan Deal, IPO of Pakistan Stock Exchange

Best Equity Pakistan IPO of Pakistan Stock Exchange

Runner Up - Corporate Finance House of the year

Certificate of Merit Best Presented Annual Accounts 2016-Banking Sector

Certificate of Merit SAARC Anniversary Awards for Corporate Governance

Best Bank in Pakistan 2016

Best Bank for Corporate Finance & Capital Market Development

Best Bank in Pakistan 2016

1st - BCR Award 2015 - Banking Sector

Most Innovative Investment Bank for Islamic Finance

Best Micro Finance Deal for National Rural Support Programme

Certificate of Merit Best Presented Annual Accounts 2015-Banking Sector

Certificate of Merit SAARC Anniversary Awards for Corporate Governance

Most Stable Bank of the year 2014

Best Bank in Pakistan 2015

1st - BCR Award 2014 - Banking Sector

Winner of Best Presented Annual Accounts 2014 - Banking Sector

Best Bank - Pakistan

Best Domestic Bank - Pakistan

Best Bank of the year 2013 – Large Bank

Most Stable Bank of the year 2013

Best of the Best Domestic Bank

Strongest Bank in Pakistan 2014

1st - BCR Award 2013 - Banking Sector

1st Runner up Best Presented Annual Accounts 2013 - Banking Sector

Best Domestic Bank - Pakistan

Best Islamic Deal

1st - BCR Award 2012 - Banking Sector

Best Website Award

T+1 Cheque Clearing Award

Certificate of Merit Best Presented Annual Accounts 2012-Banking Sector

Best Domestic Bank - Pakistan

Best Bank in Pakistan

CSR Business Excellence Award "Best Media Coverage"

2nd Best Corporate Report Award 2011 - Banking Sector

Best Commercial Bank - Pakistan

PCP Corporate Philanthropy Award

2nd Runner up Best Presented Annual Accounts 2011-Banking Sector

Most Stable Bank of the Year

Best Bank of the Year

Best Bank in Pakistan

1st - BCR Award 2010 - Banking Sector

Joint 2nd Runner up Best Presented Annual Accounts 2010-Banking Sector

Strongest Bank in Pakistan

Leadership Achievement Award

Best Bank Led MMT Service

1st - BCR Award 2009 - Banking Sector

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 1400+ branches across the country and a wide array of digital channels. The customers, depending on their needs, have the convenience to choose from:

MCB Current Deposit Products

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

MCB Savings Deposit Products

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

MCB Term Deposit Products

MCB Term Deposits offer attractive short to mid-term investment options with flexibility, convenience and security. With various tenor and multiple currency options, customers can choose the one that suits their needs. This is combined with different 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, there are products for each segment:

- **MCB Smart Business Account:** A business account variant offering Free Services & Transaction Facilities at almost negligible average balance requirement targeting low and mid-range business entities giving MCB Bank the edge to target the entire business community in a more segmented and focused manner.
- **MCB Salary Club Account:** A unique product offering targeted towards organizations to manage payroll by getting the employee accounts opened with MCB Bank. MCB Salary Club Account has both Current and Savings variants on which the employees can avail free benefits & discounts on various 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 the customers peace of mind by ensuring the security of their loved ones in case of an unforeseen event.

- **MCB Fun Club - Banking for Kids:** Offered in both Saving and Current Account types, MCB Fun Club helps kids learn about benefits of saving and the basics of banking in an easy and fun way. MCB Fun Club comes with unique tools to pique the interest of the young customers such as customized debit card and cheque book along with an option to enroll for an attractive education cover by Adamjee to make the whole banking experience more meaningful.

- **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. The Senior Citizens Account offers even more facilities such as priority handling at MCB branches and discounts on a wide array of services.

- **Pensioners Account:** MCB Pensioners Account comes in both Current and Savings Variants and allows the account holders to face the future with confidence and live to the fullest. This account is designed especially to cater to the financial needs of Pensioners and goes the extra mile to ensure peace of mind at this stage in their life. In addition 50% discount on numerous services can be availed by opening up a MCB Pensioners Account.

- **MCB Asaan Account:** A current deposit account with simplified account opening requirements is designed to extend benefits of financial services to the unbanked segments of the society. With no minimum balance requirement, this product aims to improve economic growth of potential customers under the financial inclusion initiative.

- **MCB 365 Savings Gold Account:** Offers exclusive rates for the high savers without any transaction restrictions. This account enables the customers to enjoy attractive returns on their deposit along with making use of various self-service channels such as Internet Banking & Mobile Banking.

MCB E-Statements:

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

MCB Privilege Banking

Privilege Banking takes pleasure in taking you on a journey

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

Sunday Banking:

MCB Bank has launched Sunday banking in cities across the country in an effort to encourage locals to bank at their convenience. Customers can take advantage of these selected Sunday open branches in order to satisfy their banking needs.

Digital Lounges:

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

MCB Agri Financing Products

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

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

MCB Bank fully supports all Government and State Bank of Pakistan initiatives for promotion and steady flow of credit to the farmers. This lends support to the national cause of food security for the people of Pakistan and to exploit the potential of agriculture sector. Efforts are made to enhance outreach to the growers through innovative lending including value chains, processing units. MCB Bank will continue to support agriculture sector as a matter of its policy by remaining an active

partner supporting progressive farmers by providing credit for all types of farm and non-farm activities. Micro credit need of small farmers is met through extending credit lines to NGOs supported through digital services, thus serving the cause of financial inclusion.

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

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

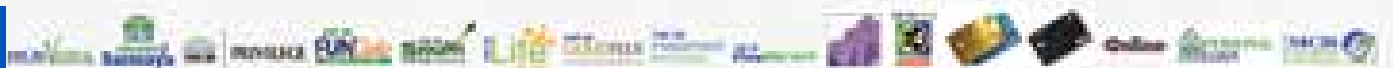
Khushali Plan: Agri Development Finance (ADF) caters to the credit needs of farmers, generally long term, pertaining to the development projects related to both farm & non-farm sectors. Under Khushali Plan, different products are offered to cater to sector specific credit needs. The products offered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

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 national cause of supporting Agriculture Sector of Pakistan.

MCB Rupee Travellers Cheque

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



MCB Consumer Lending Products

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

With respect to Affordability, MCB consumer finance products are designed keeping in mind the customers' needs – and resultantly, our product pricing has been kept quite competitive to keep the burden of repayment as light as possible. At MCB Bank we have a high retention rate and customers who have utilized any of our consumer lending products tend to treat MCB as the first choice for any other financial need.

MCB Consumer Finance products are also designed with consumer Convenience in mind. Our products can be availed through our branches as well as through our dedicated sales teams of more than 400 salespersons spread throughout Pakistan. In addition to this, we have also set up 12 dedicated Customer Walk-in Centers throughout the country to better assist our valued customers. Customers can also log-in to our website to learn more about our products and to obtain updated information on their usage – or call the Call Centre to personally speak to a customer representative for additional clarity and information.

At MCB Bank, we understand that our customers lead a particular Lifestyle which does not exist in isolation but features experiences with multiple brands and organizations. We've taken great care to ensure that our Consumer Finance products enhance the overall life experience of our consumers through partnerships and alliances with other brands and products that our consumers love. MCB Bank works to collaborate with targeted brands and organizations to ensure that we provide premium value added services to our clients. This may manifest in the form of shorter delivery times in case of auto financing products and special promotional offers for our credit card holders.

The MCB Consumer Banking Group is ably assisted by strong back office support which includes operations, service quality, internal audit, compliance and a legal team that work together to ensure that the Bank operates efficiently and in the best interest of its customers under the regulatory framework.

MCB Car4U:

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

customers to finance up to three cars simultaneously from MCB Bank in line with their unique needs and requirements.

MCB Car4U offers auto loans to customers in over 1,183 of our branches across 85 cities. Both self-employed and salaried customers can apply for MCB Car4U Loan with ease. The Bank offers a competitive markup rate to all customers and also offers a discounted markup rate to its existing Branch Customers. Over the years, MCB Bank has formed a strong network of auto-dealers, focusing on both new/used and imported car dealers so we can better facilitate our evolving customer needs and target all auto finance consumers across the country. MCB Bank values its credible and expansive dealer network as one of the key pillars of its success in the auto finance business.

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

MCB Credit Card: MCB Credit Cards carry world class features that provide transactional & payment convenience to our customers across the globe. The cards are available in three different ranges i.e. Classic, Gold and Platinum to cater to the diverse needs of our distinguished customers. Besides transactional convenience, these cards also offer payment flexibility / financial convenience to the customer such as 0% service fee on Installment Plan, transfer balances on a lower rate or even request for a Banker's Çheque in the customer's own name.

MCB SME Card: The MCB SME Card; the first of its kind card based clean lending product offering a working capital line of PKR 5 million to small enterprises (SEs) & medium enterprises (MEs) against a card which operates at selected merchants and dedicated MCB Bank Point of Sale (POS) machines. Salient features of the SME card include zero borrowing costs (maximum grace period of up to 52 days), no collateral requirements and secured transactions besides other benefits. Introduction of this product challenges the conventional mindset for lending to SMEs and provides a new innovative approach. The ideology behind introduction of this product is to support the SME sector of Pakistan that forms backbone of growing economies. Taking off the borrowing cost from the SMEs will provide huge financial relief and will ultimately have a positive impact on the overall economy in the longer run.

MCB Personal Loan: MCB Bank offers Personal Loan facility to customers for meeting their short and medium term personal financial needs. This facility can be availed

for needs such as marriage, education, to purchase consumer durable goods, have a leisure trip with family or cater to an emergency medical need. MCB Personal Loan is a Fast, Affordable and Easy Option to meet our customers' financial needs. The customers are free to choose a repayment term between 1 to 5 years. MCB Personal Loan is offered at competitive markup rates to both self-employed and salaried customers who meet set criteria. It is currently being offered in 13 major cities in Pakistan.

MCB Cash4Cash: MCB Bank also offers a secured Personal Loan facility of upto Rs. 5M. to customers for fulfilling their personal financial needs. The financing facility is secured against readily encashable securities such as local and foreign currency term deposits, national saving schemes instruments, PIB's/T-Bills, mutual funds, bank guarantees, etc. Cash4Cash offers a Win-Win situation for the bank as well as the customer. It enables the customer to meet his personal financial needs at the most competitive rates against the security of liquid investments. This helps the customer to not only retain his investments but also to avail the returns from investments.

MCB Student Personal Loan: MCB Student Personal Loan is currently being offered to the MBA and Executive MBA students of Lahore University of Management Sciences (LUMS). Under this facility, students can take a maximum loan of PKR 1,000,000 loan from MCB during their MBA program. These loans are offered at a very affordable rate and with easy repayment term spread over 5 years, upon completing their MBA program.

MCB Wealth Management

MCB Bank is among the top banks in Pakistan which is providing Wealth Management Services. The business is constantly growing and expanding its product suite for both Insurance and Investment products. We are partners with leading Insurance and Asset Management companies and are striving to deliver innovative products to match our customers' needs.

MCB Bancassurance

MCB Bank strives to help the dreams of its customers come true. Your dreams may be to give your child the best education, live a dignified life after retirement, or just keep your loved ones financially secure and protected.

MCB Bancassurance has a financial plan that fits all your needs by fulfilling your and your loved ones' dreams and keeping your 'Har Pal Mehfooz'. Combining the best of banking and financial solutions, MCB Bancassurance provides a one-stop shop solution for you by guaranteeing convenience and security with a wide range of products available for all your financial needs. All our plans are specially designed by reputable insurance providers. These companies have wealth of experience with insurance products and ensure that you and your funds are in good hands. Each plan is designed

to give you peace of mind because we know that in the end, it's not the years in your life that counts, it's actually the life in your years.

MCB Investment Services

Investment Services operate with the aim to help you make the most of your wealth with investment opportunities that match your unique financial aspirations. MCB Investment Services offers mutual funds managed by leading fund managers of Pakistan. We can suggest products most suited for your needs, or work with you to create a personalized solution completely focused on your expectations of the capital markets. These products offer you financial liquidity with comfort and ease and assist you meet both short and long term investment needs.

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 allows customers to have unmatched convenience, enhanced security and round-the-clock accessibility to their funds. MCB Debit Cards are accepted at 12,000+ ATMs and 45,000+ merchants nationwide, with promotional discount schemes designed to reward the user almost every time for shopping, dining, fuel and lodging etc. With an MCB Debit Card, one can forget the need to carry cash. The product proposition has been further enhanced with the launch of card variants like Platinum, Supplementary/ Gold Local across multiple international and local payment schemes which includes Visa, MasterCard and Paypak fulfilling various customer segment needs.

Additionally we have made our Debit Cards more secure with the completion of the Payment Card Industry Data Security Standards (PCI DSS) phase 1. MCB Bank is one of the handful banks in Pakistan who have ventured to comply themselves with the PCI DSS which is considered to be the international bench mark for card data security, thus improving the overall product value proposition.

MCB ATMs:

MCB Bank has the second largest ATM network in the country with 1350+ ATMs which includes more than 150+ off-site ATMs placed at commercial locations like malls, workplaces and hospitals etc. for consumer's convenience. The network covers 400+ cities across the country and is steadily growing. MCB Bank has one of the best ATM up times across the industry, ensured by the presence of ATM monitoring teams working 24/7, periodic system health checks and timely hardware replacements. We take pride in the fact that our entire ATM network is equipped with anti-skimming and anti-malware solutions which helps in safeguarding customers. MCB ATMs provide our customers with 24-hours of convenience to



withdraw cash, view mini-statement, utility bill payments, mobile top-ups, funds transfer and much more.

MCB CDMs:

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

MCB Mobile:

With the proposition "banking anywhere, anytime" MCB Mobile has proven and positioned itself as one of the most successful and highly sought after mobile banking service within a short span of time. MCB Mobile is an easy and secure way to transfer money, carry out balance inquiry, check mini-statements, buy top-ups, pay bills and much more. With a cumulative number of 250,000+ App downloads from both Apple's App Store and Google's Play Store the business is geared up to explore new possibilities across different verticals. So stay tuned for more!

MCB Internet Banking:

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

MCB Call 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 round the clock. The customers are further facilitated through self-services modes like Interactive Voice Response (IVR) and Telephonic Personal Identification Number (TPIN). The Call Center not only serves MCB Bank's existing customers but also cross-sells and up-sells a number of products and services as well.

MCB Lite:

MCB Bank received its branchless banking license 7 years ago, and formally started its branchless journey with the

launch of MCB Lite in the year 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. MCB Lite is all set to now explore new fronts and expand its overall footprint across the branchless banking arena.

MCB Card Discounts:

Caring for and giving back to our esteemed customers is what MCB Card Discounts is all about. MCB Bank is proud to have the best discount offers for our prized MCB (Debit, Credit, Prepaid and Lite) card holders. With a wide variety of discounts across all top retail merchants and brands ranging from dining, shopping and lodging. MCB Bank's motto i.e. 'Bank for Life' is truly personified through our MCB Card Discounts program. The year 2017 concluded with the bank onboarding more than 35+ top of the line discount partners for multiple strategic and long term discount deals.

MCB Alerts:

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

Card Acquiring (POS):

MCB Bank has a strong POS Network of over 5000 merchants at key locations across Pakistan. Our Point of Sale (POS) network is fully compliant with EMV & UICC (international safety & quality standards) and accepts Visa, MasterCard, UPI, JCB and Paypak enabled cards from all over the world. The POS Acquiring business continues to grow due to deepening of merchant relationships, round the clock support, increased POS productivity and quality of deployments.

Internet Acquiring (MCB eGate):

MCB eGate is a world class online payment gateway, formed as a result of our partnership with MasterCard International. MCB eGate equips online businesses to accept payments reliably and securely from both credit and debit cards. The online card acquisition footprint has grown and continues to grow substantially worldwide, and MCB Bank is playing an integral part in developing the E-commerce market in the country.

CFIBG Products and Services

MCB Burqraftaar Home Remittance: MCB Bank offers an unmatched service for overseas Pakistanis to send money home to their family and loved ones. This service is free and instant throughout our network of international send-agents, and beneficiaries can collect their remittances from any of the 1400+ MCB Bank branches across Pakistan.

MCB Motherland Account: MCB offers Non-Resident Pakistanis the facility to open and operate an account in their home country while still residing abroad. It is designed to allow transferring of funds to family and loved ones back home with the convenience of your own personal account.

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

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

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

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

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

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

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

- **Corporate IVR for Collections:** MCB introduced a new platform to Dealers, Distributors and Franchisees to conduct transactions without visiting the MCB branches by using our existing CRM and IVR channel. The product provides security in terms of cash carrying and also allows the dealers/distributors to conduct transactions even after banking hours i.e. 24/7. It ensures smooth flow of regular transactions and provides the bank with higher profits and lower operational expenses and

transaction costs. The addition of this channel has also helped us in reducing our cash handling cost and will subsequently encourage dealers to open accounts with MCB.

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

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

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

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

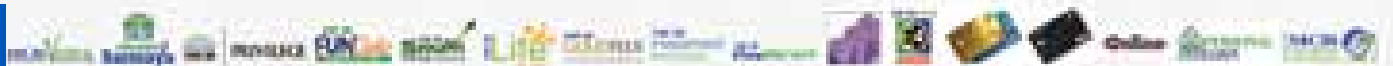
MCB Quasi Equity / Hybrid Instruments: MCB Quasi Equity/Hybrid Instruments structure and place a category of debt that has some characteristics of equity such as being unsecured, subordinated or with a potential equity upside.

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

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

MCB Trade Products: Trade Products provides 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 LC application form, reducing cost and hassle while improving TAT and input accuracy.



- **X-Flex:** A solution which facilitates external export business for customers in cases where transport documents (Bill of Lading) is not available at the counters of MCB's discounting / financing branch on the date of extending financing.
- **TRIMS:** Facilitates the financing of inland trade through the involvement of MCB Bank at both ends thereby allowing an exporter to get receivables discounted on non-recourse basis, i.e. the exporter receives payment in a given time (in less than 48 hours) after performing obligations.
- **Econ-LC:** A product program which allows drafts/bills of exchange to be waived as a requirement under LCs available by negotiation resulting in reduction in overall transaction cost for the importers.
- **Avalization (Export):** A global product designed to facilitate the financing of export by allowing an Exporter (Seller) to discount the receivables under credit granted to a counter party, i.e. Importer (Buyer), without taking payment risk on the Importer (Buyer) under a contract (non-LC transactions).
- **Avalization (Import):** A product which facilitates delivery of import documents (and goods) against importer's acceptance under contracts (without opening of LC) hence offers savings associated with fees and commissions.
- **China LC Confirmation Programme:** Under this program the branches of MCB's partner bank located in Hong Kong and China add "Confirmation" to MCB LCs on "Free of Cost" basis thus increasing acceptability of MCB's Import LCs and facilitate import customers.
- **Europe LC Routing Program:** Under this program the branches of MCB's partner bank located in UK will be handling LC transaction originated by MCB under special arrangements which includes advising, confirmations, bill discounting and UPAS transactions.

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 to carry out their transactions with great level of confidence.

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 future beckons!

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

MCB Kidz Club - Members Only!

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 Exchange Controller of Sri Lanka.

MCB Smart Card - Carry the Bank with you - round the clock, year-round!

MCB Smart Card provides access to Savings / Current account 24 hours a day, right throughout the year. Our ATM connectivity extends to a sharing network with over 3700 ATMs Island wide via LankaPay, which is the largest common ATM network in the country.

Virtual Banking - Wherever, whenever!

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

Safe Deposit Lockers - 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.

MCB Personal Loan - Fast | Affordable | Easy

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

Car4U - Every road is your runway!

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

MCB Home Loan – Home is where your heart is!

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

Remittances

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

Trade Services - Business is a pleasure!

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

SME & Corporate Financing

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

UAE - Products and Services

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

MCB Current Deposit Account

It is designed to provide our wholesale customers with

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

365 Savings Business Gold Account

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

Term Deposit

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

Demand Finance

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

Overdraft

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

Bills Discounting

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

Post-dated Cheque Discount Facility

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

Finance against Trust Receipts (FATR)

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

Financing against Receivables

Financing against 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 the documents drawn on buyers for an agreed specific tenor. Discounting of Bills under Export LC is available for customers who wish to sell such bills to the bank at a discount rate under the condition of not claiming anything from customers (Without Recourse).

Guarantees

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

Internet Banking

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

Bahrain – Products and Services

MCB-Bahrain is engaged in various activities.

Syndicated Transactions

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

Loans and Advances

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

Trade Finance

MCB-Bahrain provides all types of trade finance facilities to its clients. Trade finance services range from opening of all types of L/Cs, advising, confirmation, discounting of L/Cs, documentary collection, bill discounting and

issuance of bank guarantees.

Remittances

MCB-Bahrain makes remittances to various banks/beneficiaries all across the world against their respective L/c / remittances request.

Deposit Accounts

MCB-Bahrain maintains current & saving accounts and provides term deposit.

MCB Islamic Bank Limited – Products & Services

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

The aim of MCB Islamic Bank Limited is to be the 1st choice Sharia Compliant Financial Services Provider for the customers and to carry out business purely in accordance with the Shari'ah rules with full conviction and devotion.

Alhamdulillah, the Bank currently operates to provide Shari'ah compliant value added and high tech innovative banking solutions for customers under the supervision of Shari'ah Board which is being headed by renowned Islamic Scholar Prof. Mufti Munib-Ur-Rehman.

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

The Bank is using world's renowned and highly recognizable Oracle Flexcube as its Core Banking Software. Different services and products offered by the bank are available to customers through a branch network of 76 branches backed by over 77 On-Site and Off-Site ATMs network (with the merger of 90 branches branch and ATM network will be extended to 166 and 170 respectively). Bank operates EMV enabled Debit Card, iOS and Android based native Mobile and Internet Banking.

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

CORPORATE INFORMATION

Board of Directors:

Mian Mohammad Mansha	Chairman
Mr. S. M. Muneer	Vice Chairman
Mr. Tariq Rafi	
Mr. Shahzad Saleem	
Mian Umer Mansha	
Mrs. Iqraa Hassan Mansha	
Mr. Samir Iqbal Saigol	
Mr. Ahmad Alman Aslam	
Mr. Muhammad Ali Zeb	
Mr. Mohd. Suhail Amar Suresh	
Mr. Irfan Ahmed Hashmi	
Mr. Nor Hizam Bin Hashim	
Mr. Imran Maqbool	President & CEO

Audit Committee:

Mr. Ahmad Alman Aslam	Chairman
Mr. Muhammad Ali Zeb	Member
Mr. Nor Hizam Bin Hashim	Member
Mr. Samir Iqbal Saigol	Member

Chief Financial Officer

Mr. Salman Zafar Siddiqi

Company Secretary

Mr. Fida Ali Mirza

Auditors

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

Principal/Registered Office

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

Legal Advisors

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

Contact us:

UAN: +92 42 111 000 622

Email: investor.relations@mcb.com.pk

Visit us: www.mcb.com.pk

Registrar's and Share Registration Office Head Office:

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

Branch Office:

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

BOARD OF DIRECTORS







Mian Mohammad Mansha

Chairman

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

Mr. Mansha has served as Chairman of MCB Bank since its privatization from 1991 till mid-1995 and then 1997 till date. Presently, he is the Chairman of Human Resource & Remuneration Committee, at MCB Bank Limited. Previously, he has been associated with Punjab Mineral Company (Pvt.) Limited, Civil Aviation Authority, Pakistan International Airlines (PIA), Board of Investment (BOI), Punjab Board of Investment & Trade (PBIT), Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC), Commonwealth Business Council UK, Int'l Advisory Board Babson College USA, National Management Foundation, Textile College Faisalabad and Government College of Faisalabad. He has also served as the 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 recently contributed to the upgradation of the pediatric cardiac surgery facilities at the Children's Hospital in Lahore. In the past he has lent personal support to Shaukat Khanum Memorial Trust, Lahore Hospital Welfare Society, Saleem Memorial Trust Hospital, Mind Organization, Human Rights Society of Pakistan, Kidney Care Centre, The Citizens Foundation (TCF), Friends of Pakistan Institute of Cardiology Trust, Care Foundation, SOS Village, Lahore Model School Sant Nagar, Aziz Jahan Trust for the Blind and Altaf Mehmood Foundation among many others.

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

Other Directorships:

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



S. M. Muneer
Vice Chairman

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

In addition, he has received the Sitara-e-Isaar and the Sitara-e-Imtiaz in 2006 and 2007 respectively by the President of Pakistan in recognition of his outstanding public services for the cause of humanity. His contributions and achievements go beyond the economic sphere into the education sector as well. He was awarded an Honorary PhD degree of doctorate of philosophy in January, 2009 by the Governor of Sindh and is also a member of the Board of Director of CBM and Greenwich College, Karachi and the Director of Shaukat Khanum Cancer Hospital, Lahore. Mr. S. M. Muneer is the Chairman of Chiniot Anjuman Islamia is 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.

Other Directorships:

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



Tariq Rafi
Director

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

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

Other Directorships:

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



Shahzad Saleem
Director

After graduating from the Lahore University of Management Sciences (LUMS) on Dean's Honor List, Mr. Saleem laid the foundation of 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 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. which provides electricity to the national grid. Both the companies are listed on Pakistan Stock Exchange. Mr. Saleem worked in the capacity of Director at Punjab Institute of Cardiology from Jan 2014-April 2015. He also served on the board of Adamjee Insurance Company Limited from 2004-2009. He is on the board of MCB Bank since 1996 and has played a key role in the successful ventures undertaken by MCB Bank including listing on the London Stock Exchange and the sale of 20 % holdings of MCB to Maybank, Malaysia. With strong ties to LUMS, Mr. Saleem continues to serve the institution in various capacities. He is the founder of the LUMS Alumni Association and has served as its President for several tenures. Mr. Saleem founded the 'Class of '89' loan' at LUMS and served as Chairman of the SDSB Alumni Association from 2013-2015. Together with his family, he has set up a Trust which runs an English Medium School for 600 students and a 30 Bed Hospital in Kasur. The Trust, in memory of Sheikh Mohammad Saleem, former Chairman of Nishat Chunian Limited, has initiated setting up of a 250 bed tertiary care not for profit hospital in Lahore. The hospital will be built on the state of the art international standards and will provide subsidized health care to the under privileged section of the city.

Other Directorships:

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



Samir Iqbal Saigol
Director

Mr. Samir Saigol is currently Director/ Chief Operating Officer of Saritow Spinning Mills Limited, a Saigols Group Company. He brings over 25 years of in-depth experience in textile sector with expertise in managing all aspects of textile business. He has served as Chairman (Punjab) of the All Pakistan Textile Mills Association (APTMA), where he has held various leadership positions over the past decade.

Mr. Saigol has also gained extensive experience in setting up and managing captive power plants for industrial use based on diesel, furnace oil and natural gas fuel sources.

He holds an MBA degree from Prestigious Wharton School of Business, University of Pennsylvania, USA.

Other Directorships:

- Saritow Spinning Mills Limited
- National Containers (Pvt.) Limited



Mian Umer Mansha
Director

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

Presently, at MCB Bank he is the Chairman of the Board's Business Strategy & Development Committee, Committee on Physical Planning & Contingency Arrangements and Write-off & Wavier Committee and is also member of 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 (Aziz Avenue) Hotels and Properties Limited
- Nishat (Gulberg) Hotels and Properties Limited
- Nishat Dairy (Pvt.) Limited
- Nishat Agriculture Farming (Pvt.) Limited
- Nishat Farm Supplies (Pvt) Limited
- Hyundai Nishat Motor (Pvt) Limited



Iqraa Hassan Mansha
Director

Mrs. Iqraa Hassan Mansha has more than 07 years diversified professional experience in Hotels Industry. She received her BSC Degree in International Politics from London School of Economics and MSC degree in International relations from the University of London School of Oriental and African Studies (SOAS).

She is serving in the capacity of Chief Executive Officer of Nishat Hospitality (Private) Limited and also as a director in Nishat Real Estate Development Company (Private) Limited and also acting as Director on the Board of following companies:

Other Directorships:

- Nishat Hotels & Properties Limited
- Nishat (Gulberg) Hotels and Properties Limited
- Nishat (Aziz Avenue) Hotels and Properties Limited
- Nishat (Raiwind) Hotels and Properties Limited
- Nishat Hospitality (Pvt.) Limited
- Nishat Real Estate Development Company (Pvt.) Limited



Ahmad Alman Aslam
Director

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

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

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



Irfan Ahmed Hashmi
Director

Irfan Hashmi is an accomplished Corporate Banking & Finance professional.

He is currently engaged as an Independent Banking Risk Consultant and is based near London (UK).

During his banking career he managed risk for Specialized Lending & Investment Banking at Samba Financial Group (Former Citibank Affiliate) in Saudi Arabia. He had also attained highly selective appointment as Senior Credit Officer and had held various senior roles in Corporate Banking with Citibank in UK and Pakistan. He brings expertise in managing Credit Risk inherent in Loan Portfolios, Specialized Lending (Project Finance, Real Estate, Loan Underwriting) and Structured Credit Products (Credit Derivatives, Credit Default Swaps, CLOs, CDOs). He is skilled at managing risks in Investment Banking Products including Capital Markets (Debt & Equity) Underwriting, Investments, Valuations and Advisory.

He also brings broad based Financial Management expertise acquired at FMC Corporation as Financial Controller of its operations in Pakistan and at Procter & Gamble as Financial Planning Manager with company's startup subsidiary in Pakistan. He is skilled in managing all aspects of Finance & Accounting including Project Analysis, Budgeting, Forecasting, Working Capital Planning, FX Risk Management, Financial and Cost Accounting, Management Reporting, Policies & Procedures Writing, Corporate Law Matters, Taxation, Internal & External Audits and implementation of Financial Systems.

He holds a Master's of Business Administration (MBA) in Finance from the prestigious Suleman Dawood School of Business, Lahore University of Management Sciences, Lahore (Pakistan).



Mohd Suhail Amar Suresh

Director

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

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

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

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

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 of Business Administration from Charles Sturt University, Australia.



Nor Hizam Bin Hashim
Director

Mr. Hashim is serving as Director, Maybank since June 13, 2016. He is a Chartered Accountant by profession and is registered with Malaysian Institute of Accountants. He also holds Bachelor degrees in Jurisprudence with honours from the University of Malaya and Commerce (majoring in Accounting, Finance and Economics) from the University of Western Australia. He has a vast experience spanning over a period of 30 years in senior advisory services, legal advisory services, strategic management of overseas investments and operational management of businesses both in public and private sector.

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

Since, December 02, 2009, he also holds office of director of "Badan Pengawas Pemegang Saham Minoriti Berhad" (also known as the "Minority Shareholders Watchdog Group Berhad").



Muhammad Ali Zeb
Director

Mr. Zeb is currently the CEO and Managing Director of Adamjee Insurance Company Limited. He is fellow member of Institute of Chartered Accountants of Pakistan and has over 20 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 MCB Board in June 2013. At MCB Bank Limited, he is the Chairman of Risk Management and Portfolio Review Committee and member of Audit Committee.

Other Directorships:

- Adamjee Insurance Company Limited
- Adamjee Life Assurance Company Limited
- Nishat (Chunian) Limited
- Nishat Chunian Power Limited



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.

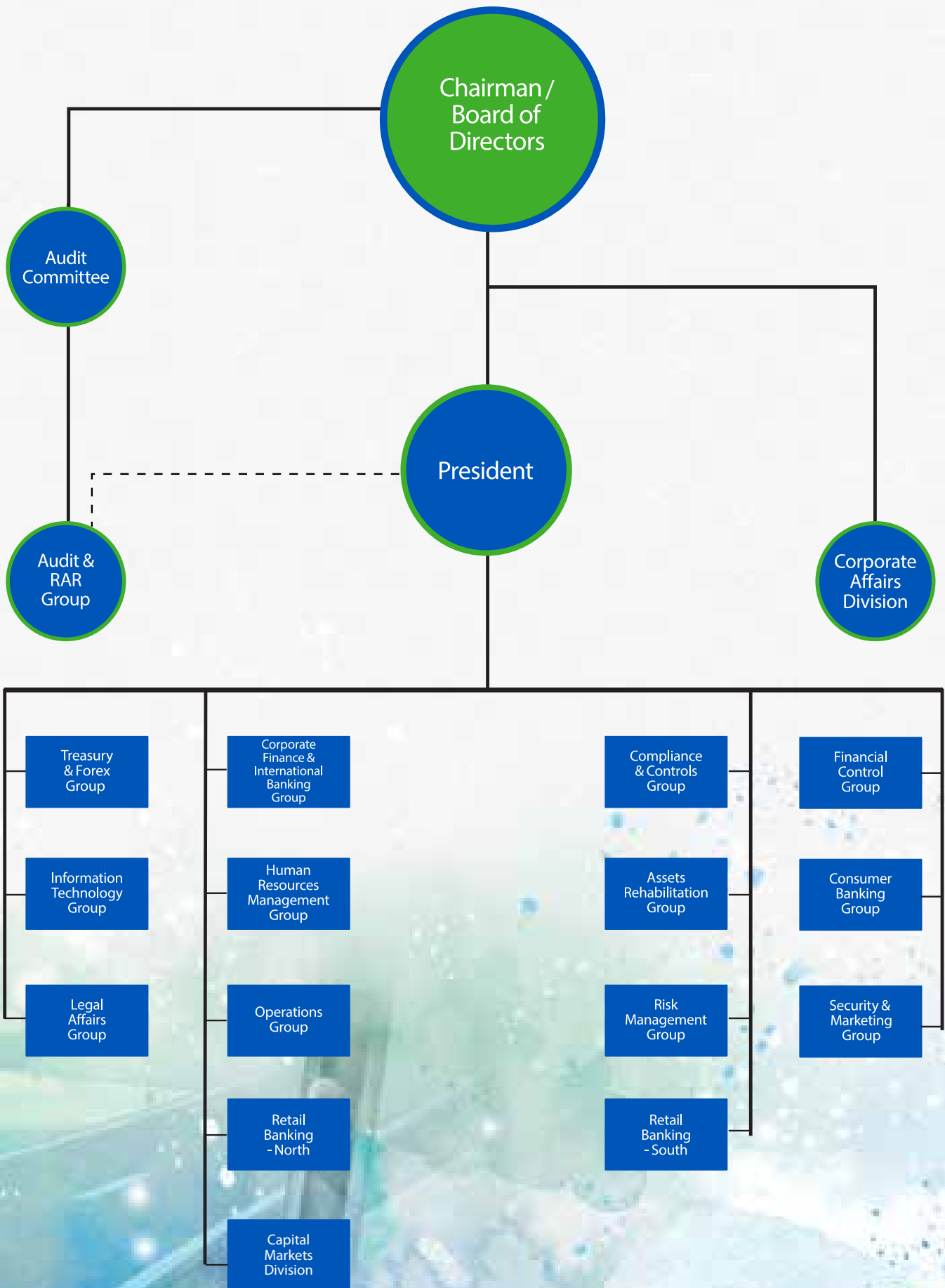
Before joining MCB Bank in 2002, Mr. Maqbool was associated with local banking operations of Bank of America and Citi Bank for over seventeen years where he worked in various senior management roles in the respective banks.

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
- MNET Services (Pvt.) Limited
- MCB Financial Services Limited
- MCB Employees Foundation
- Pakistan Tobacco Company Limited

ORGANIZATIONAL STRUCTURE



..... Administrative Reporting
 _____ Functional Reporting

MANAGEMENT COMMITTEE



Back Row (L- R): Salman Y. Zaidi, Faisal Ejaz Khan, Zargham Khan Durrani, Hassan Nawaz Tarrar
Front Row (L-R): Usman Hassan, Syed Mudassar Hussain Naqvi, Farid Ahmad, Azfar Alam Nomani



Back Row (L- R): Nadeem Afzal, Salman Zafar Siddiqi, M. Nauman Chughtai, Laqa Sarwar
Front Row (L-R): Muhtashim Ashai, Imran Maqbool, Kamran Zaffar Muggo

OTHER SENIOR MANAGEMENT



FIDA ALI MIRZA
COMPANY SECRETARY



MALIK ABDUL WAHEED
ADVISOR TO CHAIRMAN



MUHAMMAD FAROOQ WASI
GROUP HEAD AUDIT & RAR



AALI SHAFI
COUNTRY HEAD SRI LANKA



SHOAIB MUMTAZ
COUNTRY HEAD U.A.E

ENTITY CREDIT RATING

LONG TERM

AAA

SHORT TERM

A1+

CORPORATE PROFILE OF THE BANK

MCB Bank is one of the oldest banks of Pakistan, incorporated in 1947. It was privatized in 1991. To accede to international capital markets, the Bank launched Global Depository Receipts (GDRs) in 2006. It was the first Pakistani Bank that got its GDRs listed on the London Stock Exchange. In 2008, the Bank entered into a strategic partnership with Maybank, Malaysia, which owns 20% stake in it through Mayban International Trust (Labuan) Berhad.

In 2017, a strategic initiative has expanded MCB Bank's retail footprint in the form of merger of NIB Bank with and into MCB Bank Limited. The merger also further diversified our shareholding as through it, Fullerton Financial Holdings (International) of Singapore is proudly welcomed as another significant international shareholder of the Bank.

Subsidiaries

MCB Financial Services Limited

Holding: 99.999%

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

MNET Services (Private) Limited

Holding: 99.95%

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

MCB Islamic Bank Limited

Holding: 100%

Profile: Objective of the Bank is to carry on Islamic Banking Business in Pakistan in accordance and in conformity with Shariah.

MCB - Arif Habib Savings & Investments Limited

Holding: 51.33%

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

"MCB Leasing" Closed Joint Stock Company, Azerbaijan

Holding: 99.94%

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

Financial & Management Services Pvt. Limited

Holding: 95.90%

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

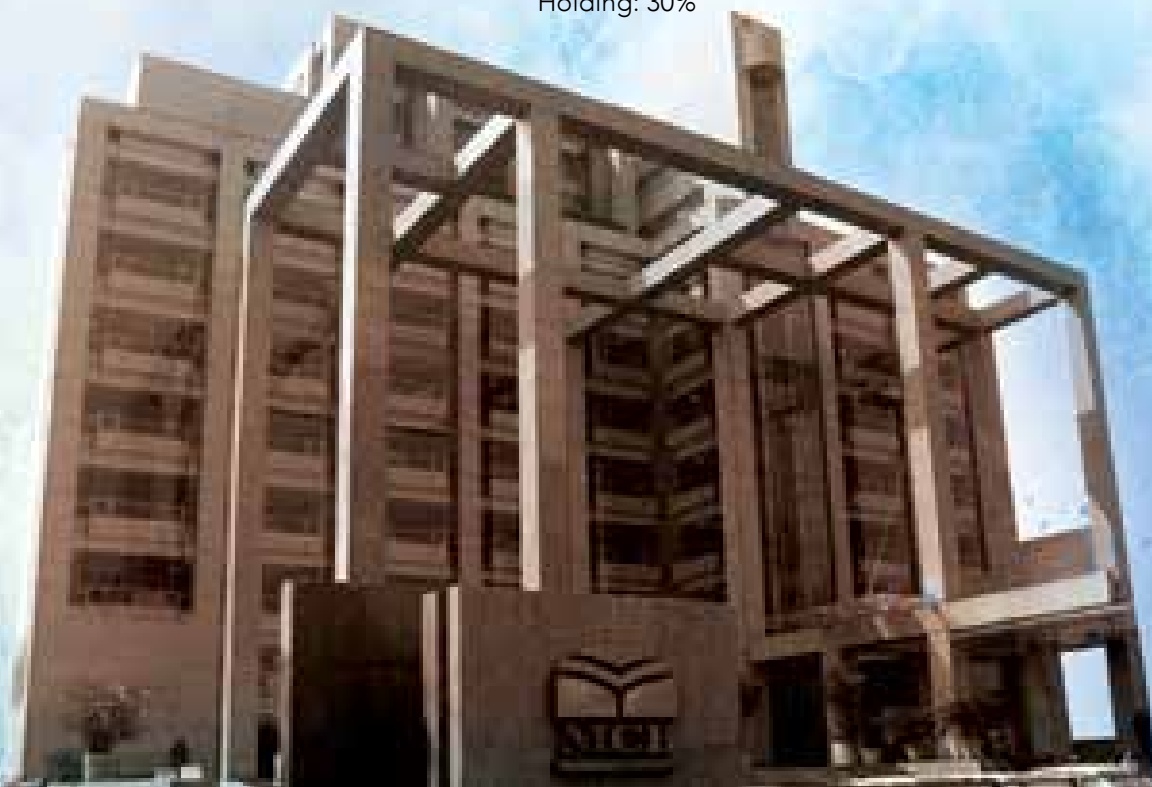
With reference to significant holding, the following entities are associates of the Bank;

Adamjee Insurance Company Limited

Holding: 21.47%

Euronet Pakistan (Private) Limited

Holding: 30%





CHAIRMAN'S REVIEW

It is a matter of great pride for me to share that 2017 was yet another milestone year in MCB Bank's illustrious history. It was the year that the Bank commemorated its 70th Anniversary, which incidentally was also the 70th Anniversary of Pakistan, from whose success we derive our own. It was also the year that we amalgamated ex-NIB Bank with and into MCB Bank, a strategic initiative that has expanded MCB Bank's retail footprint and allowed us to enhance our service delivery to our valued customers.

The merger also further diversified our shareholding, as through it we proudly welcomed Fullerton Financial Holdings (International) of Singapore as another significant international shareholder of the Bank. Indeed, the confidence of foreign investors such as Fullerton and Malaysia based Maybank International Trust (Labuan) Berhad before them, is indicative that investor confidence is growing in Pakistan and foreign investors have renewed trust in our Banking industry, business environment and economy.

On the subject of Pakistan's economy, 2017 has also been a relatively prosperous year for Pakistan. This year the economy grew with a real GDP growth of 5.3% which is the highest it has been this decade. Consistency in policies and economic reform means that Pakistan has been able to produce better than expected results and has even exceeded the projections of international agencies. The onus is now on us to build upon this momentum and ensure that private sector confidence sustains and this leads to further investments and long-term economic progress.

The Government should be commended for its role in executing different policy measures that have led to greater financial inclusion and have further opened Pakistan's economy to foreign investment.

The new Automotive Development Policy (2016-21) is one such example of a successful policy measure which is already bearing fruit. When major international automobile players commence local automobile production, they will present numerous opportunities to the financial sector for auto financing, business loans and other associated financial services.

I also take this opportunity to recognize the contribution of our Board of Directors to our Bank's progress and continued success. During the year 2017, the MCB Board performed excellently and exhibited high standards of business and professional conduct in managing and supervising affairs of the Bank and reporting to shareholders on its stewardship. The Board set the Bank's strategic aims and provided the leadership to put them into effect, upholding the vision, mission and core values of the Bank. It also monitored the Bank's financial and operational soundness, governance structure, the effectiveness of internal controls & audit functions and risk management framework. They also considered long-term policy-related matters including of review of significant policies as per the regulatory requirements as well as to cater Bank's operational needs.

The Board has a proactive approach to generate recurrent earnings and to maximize shareholders' value by achieving an appropriate tradeoff between risk and returns. It has constituted its Sub-Committees with defined scope of work and reporting procedures and such Committees are performing their duties within the prescribed mandate and respective terms of reference.

Under the capable leadership of our Board of Directors, we at MCB Bank are ably positioned to take full advantage of all opportunities and have all the requisite resources to fully capitalize on potential business prospects, whenever and wherever they present themselves. I look forward to a new year of challenges and opportunities, and hope you will join me in taking our Bank to even greater heights of success.

Mian Mohammad Mansha
Chairman
MCB Bank Limited

PRESIDENT'S REVIEW

2017 was a momentous year for MCB and Pakistan. We celebrated our 70th anniversary with great fervour. MCB's inherent abilities to remain nimble, rapidly adapting to change and adhering to our long-term strategy enabled us to deliver quality service and solutions to our loyal 7.6 million customers and valued shareholders while adhering to regulatory parameters in all the countries where we operate.

Besides the 70th anniversary milestone, our pursuit to improve access to financial services to the Nation led us to the merger with NIB Bank in July 2017 - deepening our belief in the financial inclusion strategy. We successfully amalgamated the operations of NIB Bank into and with MCB during 2017 and took pride in welcoming the valued NIB team as our new family members. It is the dedication, perseverance and demonstrated teamwork of our people that enabled us to seamlessly integrate NIB Bank's operational and IT infrastructure into MCB's platforms within record time whilst mitigating risk factors to ensure operational viability. We believe that there are significant synergies which will provide our customers enhanced service and access to a larger network and in turn improved shareholders returns as we monetize revenue streams and optimize efficiencies.

Our renewed commitment towards the key Agriculture sector which provides millions of jobs to Pakistanis and feeds the Nation was given more prominence through the creation of the Agri Division that is now embedded in the Retail bank alongside SME and Commercial banking segments.

We renewed our commitment to our stakeholders in defining our Strategic Plan for the next 5 years with great emphasis on service quality, investment in network infrastructure and human capital, fortifying

compliance & risk standards. We remain steadfast in maintaining our fortress balance sheet which further insulates MCB from macroeconomic and unanticipated asymmetric risk shocks.

What drives MCB with a steady momentum and allows us to service our customers better are our people. We at MCB recognize, nurture and reward our employees from a financial as well as talent development and aspirational support perspective. For instance, we inducted over 2,000 new family members from NIB Bank in 2017 and added to their familiarity with products and enhanced their skill sets through our reputed year-round Learning & Development programs which have produced leaders for MCB as well as for other institutions who regard our talent pool with respect. We witnessed an 80% increase in terms of participants and achieved a 15% increase in training man-days. Our mobile training delivery has increased by 96% over the previous year.

With a thrust to achieve operational excellence, we continue to invest in our people so that we can collectively provide quality & reliable customer service efficiently with meticulous attention towards regulatory compliance including but not limited to AML/CFT standards.

As a part of its continuous efforts, our people in operations and all support functions have been constantly engaged with client facing teams to simplify and up-tier existing business processes that shall improve service delivery and customer care through centralization, re-engineering and digitalization.

Surpassing the traditional norms of growth, MCB's Digital Bank has grown to become one of the most comprehensive, secure and flexible payment ecosystems. Within a short span of time, it has gained a leading position and is favoured by both individual and corporate Customers. This was only possible due to our focused strategy to expand our service offering and delivery to our customers while being preemptive about the prevailing industry risks.

Our quest for excellence in an evolving marketplace led us to launch the 1st ever Digital lounge in shape of futuristic branches that provides a modern outlook with a prominence of digital products and service offerings. This Strategic Initiative has instilled the image of MCB as a technologically advanced financial services provider and has reiterated our dominance within the industry.

We have been successfully supplementing to our customer base via the retail banking footprint and enabled our customers to more easily access their money and our financial solutions. We issued the highest number of debit cards of over 772,000 including 133,000 PayPak debit cards (Pakistan's first local payment scheme). We also added greater market acceptance of our card for customer ease – our customers have the option of both MasterCard and VISA debit cards.

Our ATM Network also witnessed steady progression in terms of reach, reliability and transactional volume and our network now stands at 1365+ ATMs including 150+ Offsite locations making MCB one

of the largest bank in terms of ATM network reach. With the highest yearly uptime of 96.74% along with significant growth in transactional volume and count, our ATM network performance is a testament of the robust health-check measures taken by us, whilst the channel was further empowered to allow our valued customers to use PayPak and UnionPay scheme cards. For additional customer ease and security, we deployed 13 Cash Deposit Machines (CDMs) across main cities in order to digitize deposits as well.

Customer satisfaction is at the heart of our operations so that we can provide efficient access and payments globally. Our Card Acquiring business continued to enter new hallways of payments with the addition of 762 new merchants including 100+ eCommerce merchants. In order to enhance transactional efficiency and the customer experience the bank also upgraded its Network Access Center Point. We furthered our digitalization mandate by encouraging our Branchless Banking arena (MCB Lite) by venturing into institutional sales and opening more than 80,000 Mobile Wallets, and helping stay in line with the Millennials and their future banking requirements accordingly. We also enhanced our call centre capabilities and capacity.

2017 has been exceptional for Customer Business. A number of product initiatives have been taken which will be beneficial for the growth of this segment and going forward more initiatives are in pipeline to provide Customers financial solutions and security.

We believe that every Pakistani should have greater physical mobility, so we financed close to 9,000 vehicles under the Car4U with disbursements amounting to PKR 8.3 Billion. As a result of this performance, the Bank now stands as one of the top players in the auto finance business.

It is the dream of every Pakistani to own a home. With this basic need of shelter in mind, we re-launched the MCB Home loan solution which remained a focus area as we crossed PKR 1 Billion worth disbursement mark in a year.

We listened closely to our customers about their increasing requirements for security of capital and annuity income and hence invested more in developing our Wealth management capabilities in Bancassurance and Investment Services which propelled our Customer business profitability by 30% year-on-year to approximately PKR 900 Million. I am happy to announce that our Investment Services managed to hold AUMs at over PKR 12 Billion despite extremely unfavourable market conditions caused by a depressed stock market and low-interest rates – this shows your trust in MCB as The Bank for Life.

We are proud to serve as an official conduit for money transfers to Pakistan for workers sending home their hard earned income to their loved ones in Pakistan – this gave us 11.64% of the market share which we intend to grow. MCB remained a key catalyst in cross-border trade and increased foreign trade volumes to almost PKR 500 Billion given our strength in Trade Finance. Cash management volumes crossed PKR 1.5 Trillion and the growth momentum will be continued with support from our efficient IT-enabled platforms.

With our presence in Sri Lanka as the 2nd largest foreign bank and growing franchise in the UAE, we are delving into greater cross-border trade and payments business to support our core customerbase that look towards MCB for their Trade and financing needs.

MCB was the 1st Bank as Book Runner in the landmark PKR 4.48 Billion self-listing of the Pakistan Stock Exchange and adding to our haul of trophies was the PKR 1.28 Billion 1st Solar Power financing in the private sector. We garnered key awards such as EUROMONEY for the Best Investment Bank in Pakistan, ASSET Asian Awards for Transport deal of the year, Renewable Energy Deal of the year and Best Project Finance House. ASIAMONEY recognized MCB as Best Regional Bank in South Asia for Belt Road Initiative (BRI) and Best Bank for BRI Finance in South Asia.

In the end, I would like to acknowledge the hard work and dedication of all staff members of MCB, who are undoubtedly the core asset of our bank. It is my utmost belief that committed and professional team is the main strategic advantage of MCB over its peers. We are fortunate to have a diverse group of qualified, trained & dedicated employees across Pakistan who view MCB as a great institution to begin, build and sustain their careers. I am also greatly indebted to the guidance of Chairman, Board of Directors, our foreign partners and the staff members who helped in making 2017 another profitable year. This dedication, commitment and perseverance would drive us to our goal of "One Bank One Team". I feel humbled to be given the opportunity to not only represent one of the leading banks of the Pakistan but also to be the member of this team.

Imran Maqbool
President & CEO
MCB Bank Limited

HIGHLIGHTS 2017

Assets

PKR 1,327 billion
(+26%)

PAT

PKR 22.5 billion
(+3%)

ROE

17.65%

Deposits

PKR 968 billion
(+24%)

ROA

1.89%

Non- Markup
Income
PKR 17.9 billion
(+11%)

Winner of
BCR - 2016
by ICAP/ ICMAP
(Banking Sector)

Advances (Gross)

PKR 515 billion
(+40%)

Market
Capitalization
PKR 252 billion
(December 31,2017)

Best Investment
Bank
Award by
Euromoney

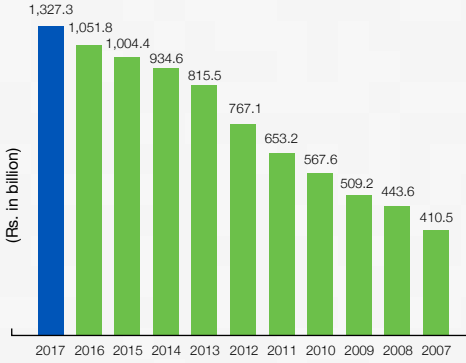
Investments

PKR 657 billion
(+18%)

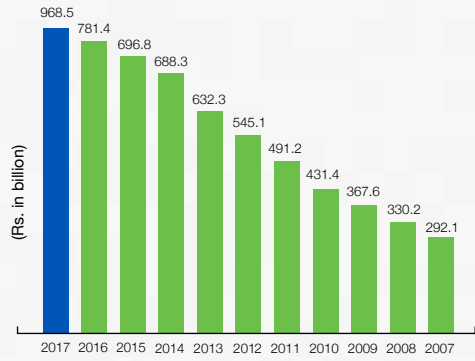
Financial Performance

10 Years Trend (2007 - 2017)

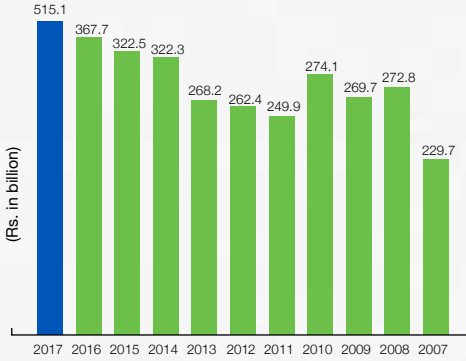
Total Assets
CAGR 12%



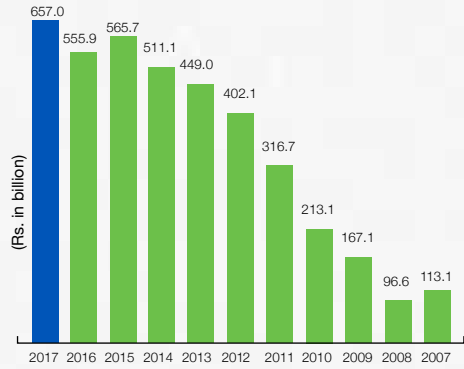
Deposits
CAGR 13%



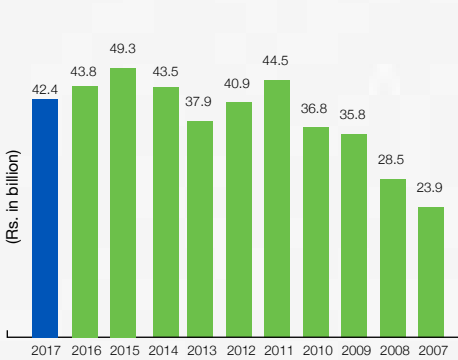
Gross Advances
CAGR 8%



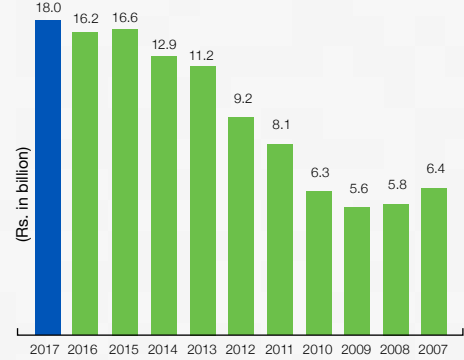
Investments
CAGR 19%



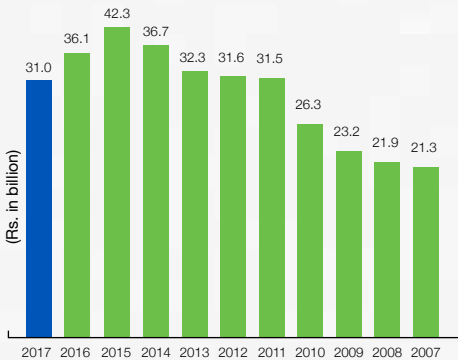
Fund Based Income
CAGR 6%



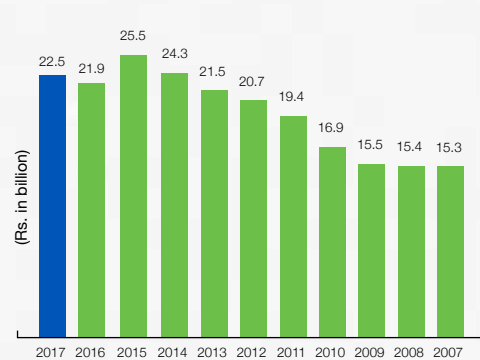
Non Markup Income
CAGR 11%



Profit Before Tax
CAGR 4%



Profit After Tax
CAGR 4%



Management Objectives & Strategies / Critical Performance Indicators

Management's Objectives	Plans / Strategies for Meeting Objectives	CPI	Relationship between the Bank's Results & Management's Objectives	Future relevance
Sustained profitability while coping up with the operational challenges. Being recognized as one of the most profitable bank of the industry.	<p>Lead market position through focused initiatives targeting new products, new markets, branchless banking and effective cost management.</p> <p>Rationalize & optimize usage of existing branch network and network strengthening through branch expansion plan.</p> <p>Service portfolio enhancement of all digital products / channels i.e. call center, internet banking, mobile banking, mobile wallet, SMS alerts, E-statement, ATMs and Debit Cards to increase non markup income.</p>	Profitability	<p>In comparison with 2016, Profit Before Tax has decreased by 14.03% (Rs. 31.01 Billion) whereas Profit After Tax has increased by 2.59% (Rs. 22.46 Billion) on account of reversal of prior year tax charges. Net markup income of the Bank was reported at Rs. 42.41 billion, down by 3.21% over 2016, owing to the maturity of high yielding bonds and low-interest rate environment. To supplement its net interest margins, the Bank remained focused on increasing its low cost deposit base and invest in higher yielding assets.</p> <p>On the non-markup income front, the Bank reported a base of Rs. 17.96 billion with the growth of 11% over last year despite significant capital market volatility in the latter half of the year. Major contributions to non-markup income growth were operational in nature with fees & commissions increasing by 22.44% YoY and income from dealing in foreign currencies increasing by 42.93% YoY.</p>	The CPI shall remain relevant in future
The Bank aims to deliver sustained payout to its investors.	Higher profitability to pay higher returns to shareholders.	Shareholder return	The Bank has paid 160% cash dividend in 2017 (2016: 160%) which is the highest in the banking industry.	The CPI shall remain relevant in future
The Bank aims to increase its share in the domestic deposit pie along with international deposit generation.	<p>Expansion/Increase in deposit base through new products and markets thereby increasing customer base beyond the prevalent organic growth.</p> <p>Increased focus on current account and deposit account (CASA) growth.</p>	Deposit generation	The Bank registered an exceptional growth of 23.94% in its deposit base as compared to 2016 with incremental volume of Rs. 187.05 Billion. CASA base is one of the highest CASA mixes in the banking industry of 92.86%. The market share of domestic deposit has increased from 6.79% as at December 31, 2016 to 7.59% as at December 31, 2017.	The CPI shall remain relevant in future
To ensure quality asset retention with measures to constantly decrease the NPLs base of the Bank.	<p>Increased concentration on advances growth while maintaining low infection ratio.</p> <p>Development of prudent position in investments (T-Bills & PIBs).</p>	Asset Quality	<p>Tremendous growth of 40% was recorded in gross advances over 2016, with incremental portfolio of Rs. 147.2 Billion. During the year NPLs of the Bank increased by Rs. 27.06 Billion, mainly on account of NIB Bank Limited (NIB) merger with and into MCB Bank Limited. The infection ratio has increased from 5.9% as at December 2016 to 9.47% as at December 2017 due to Transfer of NPLs under merger scheme. The infection ratio of the Bank excluding Ex. NIB portfolio was 4.70% as at December 31, 2017. The coverage ratio of the Bank improved to 93.74% as at December 31, 2017. The Bank has not taken benefit of Forced Sale Value (FSV) of the collaterals, while calculating the provision against advances.</p> <p>The investments in Government securities constitute 93% of total investments of the Bank.</p>	The CPI shall remain relevant in future
Introduction of cost cutting techniques ensuring operational efficiency.	Centralization and monitoring of operating expenses to restrain them within conventional limits.	Effective and efficient cost control	The administrative expense base (excluding pension fund reversal) recorded an increase of 24% over 2016, mainly on account of NIB merger with and into MCB Bank Limited.	The CPI shall remain relevant in future
To maintain a strong capital base.	Healthy equity leading to maintain Strong capital adequacy ratios.	Capital ratios	The capital adequacy ratios of the Bank are well above the specified percentages. Bank maintained Common Equity Tier-1 (CET1) to total risk weighted assets ratio at 14.42% against requirement of 6.00%.	The CPI shall remain relevant in future

Significant changes in Objectives & Plans / Strategies

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

Forward Looking Disclosure

Performance of the Bank against forward-looking disclosure of 2017 as presented in Annual Report 2016

Forward-looking disclosure for 2017 as presented in annual report 2016

Going into the year 2017, we are optimistic about the outlook for the local economy. With inflation expected to remain largely contained, low interest rates, the realization of benefits of the China Pakistan Economic Corridor (CPEC) and an aggressive incentive package for exporters announced by the government, economic activity is likely to pick up in the medium term. However, at the same time, the spike in international oil prices could put further pressure on the current account. Therefore, increasing exports and improving our trade account would be crucial for the country going forward.

Despite adverse indications relating to external current account, trade balance, inward remittances, law and order situation and continuation of low interest rates the Bank is committed to deliver exceptional results to its shareholders in 2017. We are steadfast in expanding our network of branches to meet our valuable shareholders expectations. We would continue strengthening international footprints, improving our asset quality, increasing deposit base, deploying cost efficient techniques and increasing contribution from non-markup. Increased penetration in branchless banking channels would be our key area of attention. We are passionate to translate equity markets volatilities into opportunities of significant gains. We are exceedingly focused in increasing low cost CASA base to increment our net interest margins.

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

Maintaining a low infection ratio is one of the key targets in 2017. We would continue adding products and services to our menu and anticipate significant growth in our non- fund based income. Our special emphasis is on increasing our digital banking range to align ourselves with the ever changing business dynamics. Our dedicated team of professionals would take every possible opportunity to serve our esteemed customers.

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

Forward Looking Disclosure

Performance of the Bank against forward-looking disclosure of 2017 as presented in Annual Report 2016

Performance of the Bank in 2017 against forward-looking disclosure

MCB Bank Limited reported Profit Before Tax (PBT) of Rs. 31.01 billion and Profit After Tax (PAT) of Rs. 22.46 billion. In comparison with the last year, Profit Before Tax has decreased by 14.03% whereas Profit After Tax has increased by 2.59% on account of reversal of prior year tax charges. Net markup income of the Bank was reported at Rs. 42.41 billion, down by 3.21% over last year owing to the maturity of high yielding bonds and comparative low-interest rate environment. On the gross markup income side, the Bank reported an increase of Rs. 6.69 billion whereas on the interest expense side, the Bank registered an increase of Rs. 8.09 billion over last year. To supplement its net interest margins, the Bank remained focused on increasing its low-cost deposit base and venture in higher-yielding assets.

On the non-markup income front, the Bank reported a base of Rs. 17.96 billion with the growth of 11% over last year despite significant capital market volatility in the latter half of the year. Major contributions to non-markup income growth were operational in nature with fees & commissions increasing by 22.44% YoY and income from dealing in foreign currencies increasing by 42.93% YoY.

The administrative expense base (excluding pension fund reversal) recorded an increase of 23.62% over last year mainly on account of amalgamation of NIB Bank Limited (NIB) with and into MCB Bank Limited. On the provision against advances front, the Bank continued with its recovery trajectory and posted a significant reversal of Rs. 2.90 billion. Based on the volatility in the equity markets, net impairment on equity investments was recorded to the tune of Rs. 3.57 billion.

The total asset base of the Bank on a standalone basis was reported at Rs. 1.33 trillion reflecting a healthy increase of 26.19% over December 2016. Analysis of the asset mix highlights that net investments have increased by Rs. 101.04 billion (+18.17%) with net advances increasing by Rs. 121.24 billion (+34.83%) over December 31, 2016. The coverage and infection ratios of the Bank were reported at 93.74% and 9.47% respectively.

On the liabilities side, the deposit base of the Bank registered a splendid increase of Rs. 187.05 billion (+23.94%) over December 2016, including Rs. 61 billion contribution from Ex-NIB Bank Limited. The significant increase in deposits resulted in MCB achieving an all-time high deposit base of Rs. 968 billion on a standalone basis with deposits crossing Rs. 1 trillion mark on a consolidated basis. MCB Bank Limited continued to enjoy one of the highest CASA mixes in the banking industry of 92.86% with current deposits increasing by 27% and savings deposits by 19% over December 2016. Strategic focus on current accounts resulted in an increase in concentration level to 38.94% of the total deposit base. The market share of domestic deposit has increased from 6.79% as at December 31, 2016 to 7.59% as at December 31, 2017.

Earnings per share (EPS) for the year was Rs. 19.56 as compared to Rs. 19.67 for 2016. Return on Assets and Return on Equity were reported at 1.89% and 17.65% respectively, whereas book value per share stood at Rs. 115.18.

MCB Mobile Banking continued to grow at a much faster pace with an active customer base exceeding One million showcasing an increase of 32% over 2016.

With one of the largest ATM networks in the industry, the Bank continued to expand and added 186 ATMs in 2017 (including transferred from Ex. NIB) crossing a mega network size of 1,350+ ATMs, ensuring strong footprint and convenience for all its customers nationwide. During the year, the Bank also added 206 branches (including 170 branches under merger) to its wide network of Branches.

The Bank also played a major role in facilitating the flow of remittances through the banking channels in Pakistan. The Bank handled home remittances of Rs. 252 billion in 2017 with a market share of 11.64%.

Detailed analysis covering performance and achievements of respective groups against their targets for 2017 is included in the Groups' review section of this annual report.

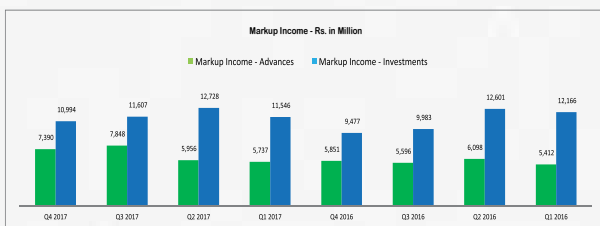
Performance: 2017 at a Glance

Year 2017 has been a challenging year for MCB Bank Limited as the Bank initiated and completed merger of NIB Bank Limited with and into MCB Bank Limited based on a share swap arrangement. The merger has positively impacted the numbers on the statement of financial position side with deposits and advances reported at an all time high. Key highlights of MCB Bank Limited's performance compared to the previous year is as follows:

Profitability

Profit after tax of the Bank was reported at Rs. 22.5 billion registering an increase of 3% over last year whereas Profit before tax was reported at Rs. 31.0 billion, down 14% YoY. Decrease in profitability is mainly on account of NIM compression based on bond maturities and reduced interest rates coupled with increased administrative expense base which consummates with increased branch outreach.

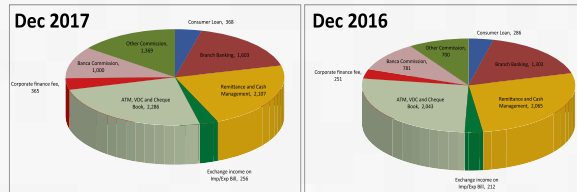
On the gross markup income side, the bank reported an increase of Rs. 6.6 billion. Analysis of the interest earning assets highlights that income on advances increased by Rs. 3.9 billion, primarily on account of improved volumes, as average advances have gone up by approximately 79 billion over last year. On the investment side, gross markup income increased by Rs. 2.6 billion, primarily on account of increased average investment base of approximately 150 billion.



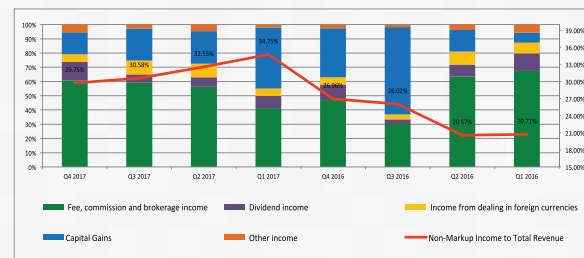
Year 2017 was a remarkable year in terms of deposit growth. Even after adjusting for Rs. 61 billion transferred on account of NIB merger, the Bank increased its deposit base by approximately Rs. 126 billion, which remains unprecedented in terms of Bank's history. Higher CASA base has been one of the key strengths for MCB which enables the Bank to maintain one of the highest spreads in the industry. The average volume of deposits registered an impressive increase of Rs. 149.7 billion with prime contributions from current deposits.

The non-markup income block of the bank was reported at Rs. 17.9 billion with major contributions coming in from fee, commission income which grew by 22% over period

last year. Major contributors to the fee line were from trade business, SMS charges, cards and banc assurance business. The Bank reported Capital gains amounting to Rs. 4.7 billion for the year 2017 as opposed to Rs. 5.7 billion reported last year. The decrease in capital gains was primarily on account of lesser gains recorded on bond disposal.

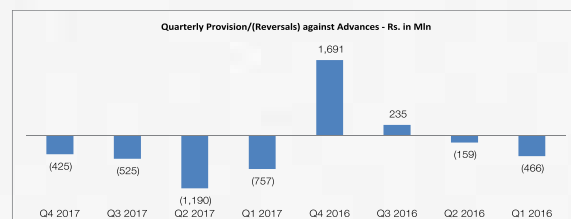


Catering to the financial and transactional requirements of our privileged customers, card based income has supplemented the fee, commission income by Rs. 244 million.



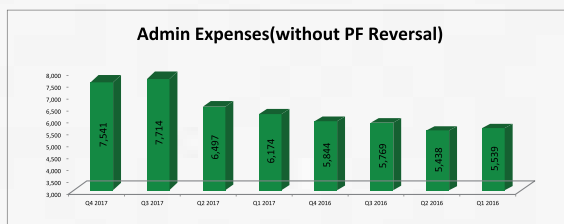
Dividend income reflected a healthy increase of Rs. 485 million over 2016 numbers. The fluctuation on the currency front enabled the Bank to earn income from dealing in foreign currencies to the tune of Rs. 1.3 billion with an increase of 43% over 2016. The ratio of non-markup income to net revenue (Net Markup Income + Non-Markup Income) has increased to 29.75% in 2017 from 26.96% in last year.

Our recovery units have performed exceptionally well during the year 2017. On the provision side, the bank reversed provision amounting to 2.9 billion on advances owing to recoveries, declassifications and settlements executed.



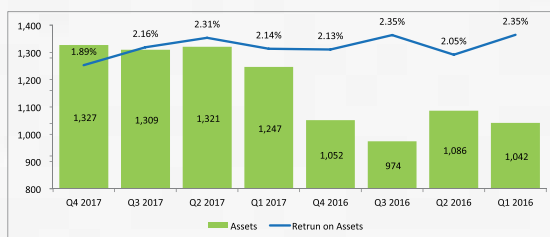
Performance: 2017 at a Glance

The administrative expense base (excluding pension fund reversal) recorded an increase of 23.62% over last year mainly on account of amalgamation of NIB Bank Limited (NIB) with and into MCB Bank Limited. Major increase was attributed to personal cost which has been on higher side due to cost of staff transferred from NIB Bank Limited on account of merger. Pension fund reversal for the period was reported at Rs. 572 million as compared to Rs. 516 million reported for the last year.

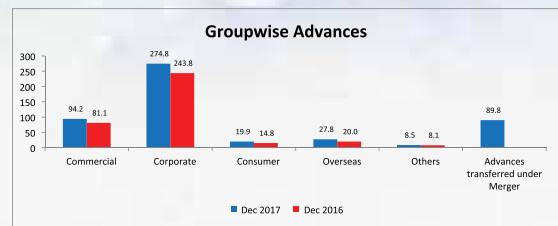


Statement of Financial Position

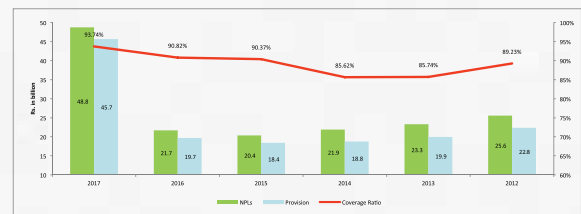
In 2017, assets and liabilities of NIB Bank were transferred on account of merger during the 2nd half of the year. The total asset base of the bank crossed threshold of PKR 1 trillion in 2016, maintaining the growth momentum in 2017 and was reported at Rs. 1.327 Trillion as at December 31, 2017. Increase in asset base is driven by Investments and Advances over the past years. Despite exceptional increase in asset base, the Bank has been able to maintain highest return on assets in the financial industry.



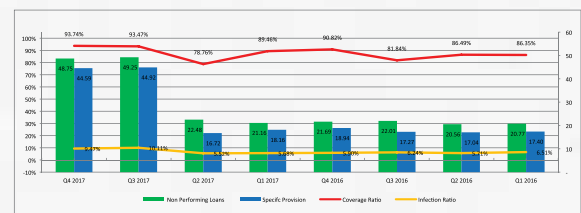
Asset mix of 2017 highlights that main contributor to the said increase were net advances which grew by Rs. 121.2 billion to Rs. 469.3 billion. Out of the increase of Rs. 121.2 billion, Rs. 90 billion portfolio pertains to NIB Bank Limited. Group wise categorization of advances highlights an increase of Rs. 30.9 billion for Corporate Banking, Rs, 13.1 billion in commercial while Rs. 7.8 billion and Rs. 5.0 billion for Overseas and Consumer Banking respectively.



The NPL base of the Bank showed decreasing trend over the past several years as the Bank focused on improving the asset quality. Over the past few years, significant recoveries have been posted while maintaining adequate coverage ratio. During the year, classified portfolio of Rs. 29.6 billion was transferred from NIB Bank Limited for which 100% coverage has been maintained.



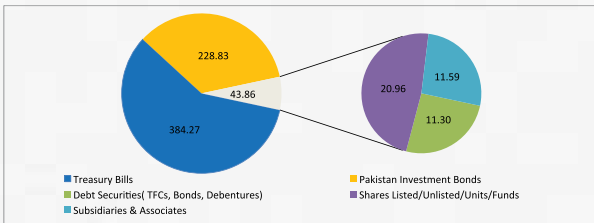
With reference to the concentration of NPLs, 97.4% of the total base is categorized in the “loss” category for which 100% provision is held after deducting liquid security benefit. The coverage ratio of the Bank including NIB Bank portfolio is 93.7% based on specific and general provision. The quality of advances has registered continuous improvement over the last few quarters with the infection ratio improving to 4.70% (without taking effect of ex-NIB portfolio) as compared to 5.90% as at December 31, 2017. Incorporating the impact of NIB credit portfolio transfer, the infection ratio falls to 9.47%.



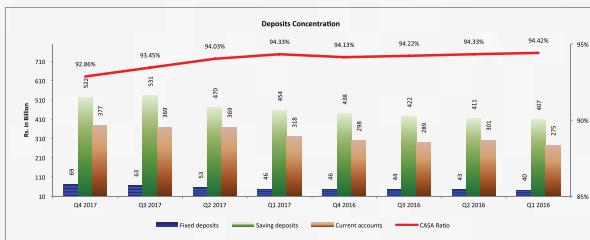
The net investment base of the Bank was reported at PKR 657.0 billion, reflecting an increase of Rs. 101.0 billion over December 31, 2016 in absolute terms. Approximately 93% of the investment base is in risk free PIBs and Treasury Bills with 6% exposure in equity

Performance: 2017 at a Glance

securities. T-Bills concentration levels have improved from 55% as at December 2016 to 59% with PIBs concentration level dropping from 37% as at December 2016 to 34%. With reference to the concentration levels in different maturity buckets, 63.1% of the T-Bill exposure is classified in 3 months category, 11.7% in 6 month category and remaining 25.2% in 1 year category. On the PIBs side, 30.6% is concentrated in 3 years, 53.2% in 5 years and 16.2% in 10 year and above category.



The deposit base of the Bank recorded an increase of 24% over December 2016 with CASA base of the Bank gaining strength to 92.8% with current accounts growing by 27%, saving by 19% while fixed deposits increased by 51%. This increase includes Rs. 61 billion deposits transferred from Ex-NIB. During the past few years, MCB has been strategically tapering off its high cost deposits. During the year the cost of saving deposits increased by 5 bps while cost of fixed deposits decreased by 9 bps. CASA base of the bank is one of the highest among banking industry.



Non-financial performance

Non-financial performance during the year is tabulated below:

	2017	2016
Numbers		
Branches opened/transferred*	206	15
Credit cards issued	13,006	11,060
Accounts opened/transferred	1,057,825	451,732
Debit Cards issued	772,314	666,999
ATMs installed/transferred	186	118

*170 Branches were transferred on account of merger of NIB bank.

Six Years Financial Summary 2012 - 2017

		2017	2016	2015	2014	2013	2012
Profit & Loss account							
Mark-up/ return earned	Rs. Mln	74,091	67,400	80,393	77,269	65,064	68,356
Mark-up/ return expensed	" "	31,684	23,586	31,077	33,757	27,196	27,500
Fund based income	" "	42,407	43,814	49,316	43,512	37,868	40,856
Fee, Commission, brokerage & FX income	" "	11,278	9,040	10,871	10,235	8,108	7,131
Dividend and capital gains	" "	6,682	7,135	5,695	2,709	3,063	2,022
Total income	" "	60,367	59,989	65,882	56,456	49,039	50,010
Operating expenses	" "	28,117	22,989	22,895	21,591	19,639	18,077
Operating profit before tax and provision	" "	32,250	36,999	42,987	34,865	29,400	31,933
Provisions / write-offs	" "	1,236	925	659	(1,864)	(2,888)	291
Profit before tax	" "	31,014	36,075	42,329	36,729	32,288	31,642
Profit after tax	" "	22,459	21,891	25,546	24,325	21,495	20,673
Cash Dividends	" "	18,673	17,808	17,808	15,582	14,166	11,959
Bonus shares	" "	-	-	-	-	1,012	920
Statement of Financial Position							
Authorised capital	" "	15,000	15,000	15,000	15,000	15,000	10,000
Paid up capital	" "	11,851	11,130	11,130	11,130	10,118	9,199
Reserves	" "	70,866	53,347	51,309	48,830	46,601	44,253
Unappropriated Profit	" "	53,776	53,469	50,747	46,948	40,552	35,425
Shareholder's equity	" "	136,493	117,946	113,186	106,908	97,272	88,877
Surplus on revaluation of assets - net of tax	" "	17,073	23,680	24,616	23,196	12,959	13,594
Net Assets	" "	153,566	141,627	137,802	130,104	110,231	102,471
Total Assets	" "	1,327,311	1,051,814	1,004,410	934,631	815,508	767,075
Earning Assets	" "	1,175,352	911,163	872,594	818,676	718,990	663,330
Gross Advances	" "	515,058	367,678	322,529	322,318	268,192	262,392
Advances - net of provisions	" "	469,356	348,117	304,122	303,559	248,243	239,583
Non-Performing Loans (NPLs)	" "	48,753	21,688	20,368	21,908	23,268	25,562
Investments	" "	656,964	555,929	565,696	511,137	449,006	402,069
Total Liabilities	" "	1,173,745	910,187	866,608	804,527	705,277	664,604
Deposits & other accounts	" "	968,483	781,430	696,805	688,330	632,330	545,061
Current & Saving Deposits (CASA)	" "	899,364	735,550	650,739	626,112	567,728	464,411
Borrowings	" "	133,070	74,515	118,040	59,543	38,543	78,951
Interest bearing Liabilities	" "	728,361	557,913	557,056	511,446	456,348	434,619
Contingencies and Commitments	" "	458,775	307,566	320,888	226,554	265,428	143,803
Profitability Ratios:							
Profit before tax ratio	%	41.86%	53.52%	52.65%	47.53%	49.63%	46.29%
Gross Yield on Average Earning Assets	" "	7.10%	7.56%	9.51%	10.05%	9.42%	11.08%
Gross Yield on Avg. Earning Assets (incl. dividend & capital gains)	" "	7.74%	8.36%	10.18%	10.40%	9.86%	11.42%
Gross Spread	" "	57.24%	65.01%	61.34%	56.31%	58.20%	59.77%
Non interest income to total income	" "	29.75%	26.96%	25.14%	22.93%	22.78%	18.30%
Return on average equity (ROE)	" "	17.65%	18.94%	23.21%	23.83%	23.09%	24.59%
Return on average assets (ROA)	" "	1.89%	2.13%	2.63%	2.78%	2.72%	2.91%
Return on Capital Employed (ROCE)	" "	17.65%	18.94%	23.21%	23.83%	23.09%	24.59%
Cost to income ratio	" "	45.31%	36.80%	33.34%	36.51%	38.15%	34.95%
Cost to income ratio (excluding pf reversal)	" "	46.26%	37.66%	34.52%	37.98%	41.62%	38.81%
Admin Exp to Profit before Tax	" "	88.20%	61.19%	51.90%	56.12%	57.95%	55.23%
Investment ratios:							
Earnings per share (after tax)**	Rs.	19.56	19.67	22.95	21.85	19.31	18.57
Earnings per share (before tax)**	" "	27.02	32.41	38.03	33.00	29.01	28.43
Breakup value per share (excl. surplus on rev. of assets)**	" "	115.18	105.97	101.69	96.05	87.39	79.85
Net assets per share**	" "	129.59	127.24	123.81	116.89	99.04	92.06
Market Ratios							
Cash Dividend	%	160%	160%	160%	140%	140%	130%
Bonus Shares Issued	" "	-	-	-	-	10.00%	10.00%
Dividend Yield ratio (based on cash dividend)	" "	7.54%	6.73%	7.38%	4.58%	4.98%	6.20%
Dividend Payout ratio	" "	83.14%	81.35%	69.71%	64.06%	70.61%	62.29%
Price to book value ratio	Times	1.84	2.24	2.14	3.18	3.22	2.63
Price to earning ratio	" "	10.85	12.09	9.45	13.99	14.56	11.29
Dividend cover ratio	" "	1.22	1.23	1.43	1.56	1.52	1.73

Six Years' Financial Summary 2012-2017

		2017	2016	2015	2014	2013	2012
Share Information							
Market value per share - Dec 31	Rs.	212.32	237.82	216.85	305.65	281.17	209.76
High - during the year	" "	267.00	244.82	338.82	311.00	323.00	216.75
Low - during the year	" "	188.21	190.20	205.34	234.51	182.20	133.00
Market Capitalisation	Rs. Mln	251,612	264,701	241,361	340,198	284,501	192,950
Asset Quality and Liquidity ratios:							
Gross Advances to deposits ratio	%	53.18%	47.07%	46.29%	46.83%	42.41%	48.14%
Net Advances to deposits ratio	" "	48.46%	44.55%	43.65%	44.10%	39.26%	43.96%
Investments to deposits ratio	" "	67.83%	71.14%	81.18%	74.26%	71.01%	73.77%
Weighted Average Cost of Deposits	" "	2.52%	2.48%	3.37%	4.59%	4.00%	4.45%
CASA to total deposits	" "	92.86%	94.13%	93.39%	90.96%	89.78%	84.74%
NPLs to Gross advances ratio	" "	9.47%	5.90%	6.32%	6.80%	8.68%	9.74%
NPLs to Shareholders Equity	" "	35.72%	18.39%	18.00%	20.49%	23.92%	28.76%
Coverage Ratio (specific provision/ NPLs)	" "	91.46%	87.32%	87.63%	82.84%	83.59%	87.55%
Coverage Ratio (total provision/ NPLs)	" "	93.74%	90.82%	90.37%	85.62%	85.74%	89.23%
Earning assets to total assets ratio	" "	88.55%	86.63%	86.88%	87.59%	88.16%	86.45%
Investments to total assets ratio	" "	49.50%	52.85%	56.32%	54.69%	55.06%	52.42%
Cash & Cash Equivalents to Total Assets	" "	8.32%	7.45%	6.34%	5.29%	7.46%	7.53%
Cash to Current Liabilities	" "	5.29%	7.78%	5.96%	5.16%	5.71%	4.58%
Earning assets to interest bearing Liabilities	Times	1.61	1.63	1.57	1.60	1.58	1.53
Deposits to shareholder equity	" "	7.10	6.63	6.16	6.44	6.50	6.13
Assets to Equity	" "	9.72	8.92	8.87	8.74	8.38	8.63
Current / Quick Ratio	" "	2.05	3.05	2.44	1.51	2.51	1.90
Risk Adequacy							
Tier I Capital	Rs. Mln	129,130	111,999	107,067	104,083	95,102	86,341
Total Eligible Capital	" "	147,227	128,968	120,930	117,489	101,296	93,526
Risk Weighted Assets (RWA)	" "	895,415	667,195	622,323	575,663	455,189	422,583
Tier I to RWA	%	14.42%	16.79%	17.20%	18.08%	20.89%	20.43%
RWA to total assets	" "	67.46%	63.43%	61.96%	61.59%	55.82%	55.17%
Capital Adequacy Ratio	" "	16.44%	19.33%	19.43%	20.41%	22.25%	22.13%
Net Return on Average RWA	" "	2.87%	3.40%	4.26%	4.72%	4.90%	5.17%
Duo Pont Analysis							
Net Operating Margin	%	37.20%	36.49%	38.78%	43.09%	43.83%	41.34%
Asset Utilization	%	5.07%	5.83%	6.80%	6.45%	6.20%	7.04%
Leverage Ratio / Equity Multiplier	Times	9.35	8.90	8.81	8.57	8.50	8.45
Industry Share							
Deposits	%	7.83%	6.98%	7.20%	8.25%	8.40%	8.16%
Advances	" "	7.89%	6.60%	6.58%	7.23%	6.59%	6.80%
Market Capitalisation	" "	17.85%	14.86%	17.91%	21.44%	22.96%	23.58%
Home Remittance	" "	11.64%	11.30%	10.90%	10.68%	10.48%	10.52%
* based on economic data released by State Bank of Pakistan							
Consolidated							
Total Assets	Rs. Mln	1,373,430	1,076,690	1,020,980	941,606	821,278	771,458
Shareholders' Equity	" "	138,100	120,152	115,253	110,095	100,165	91,350
Net Assets	" "	156,543	145,960	142,177	136,269	115,463	106,475
Profit before tax	" "	30,614	36,721	42,789	37,354	32,932	32,065
Profit after tax	" "	22,048	22,174	25,035	24,774	21,950	21,153
Return on Average Assets	%	1.80%	2.11%	2.55%	2.81%	2.76%	2.94%
Return on Average Equity	" "	17.00%	18.76%	22.12%	23.45%	22.80%	24.14%
Earnings per share**	Rs.	19.13	19.82	22.38	22.15	19.65	18.76
Breakup value per share (excl. surplus on rev. of assets)**	" "	117.02	108.41	103.55	98.91	89.99	82.07
Capital Adequacy Ratio	%	16.34%	19.68%	20.07%	20.41%	22.18%	22.16%
Per Branch							
Gross Advances	Rs. Mln	356.69	297.10	263.72	261.62	220.37	221.06
Deposits	" "	670.69	631.20	569.75	558.71	519.58	459.19
CASA	" "	622.83	594.14	532.08	508.21	466.50	389.12
PBT	" "	21.48	29.14	34.61	29.81	26.53	26.66

Shares held by sponsors / directors / executives and associated companies are disclosed on Page No. 362.

**Adjusted for prior years to reflect bonus shares issued.

Six Years' Non Financial Summary 2012-2017

		2017	2016	2015	2014	2013	2012
No. of accounts	Absolute	7,607,277	6,549,452	6,097,720	5,648,460	5,299,439	4,931,631
No. of branches	"	1,444	1,238	1,223	1,232	1,217	1,187
No. of permanent employees	"	13,014	10,951	10,396	10,601	10,372	10,612
ATMs							
No. of ATMs	"	1,377	1,191	1,073	937	789	680
Total active smart/ debit card issued	"	2,561,794	2,135,599	2,067,273	2,109,268	1,875,258	1,367,858
No. of smart cards/Debit cards issued during the year	"	772,314	666,999	642,649	488,706	508,241	469,814
Credit Cards							
No. of new issuance	"	13,006	11,060	10,647	7,505	7,187	3,261
No. of customers	"	70,246	64,075	59,343	55,180	53,460	68,075
Total spend (transaction volume)	Rs. Mln	7,054	5,967	5,079	4,843	4,306	4,005
Internet Banking							
No. of customers	Absolute	163,273	144,069	125,621	104,889	88,131	82,462
No. of transactions	"	509,569	450,333	358,547	250,412	1,603,669	998,789
Volume of transactions	Rs. Mln	12,306	7,971	6,149	3,356	30,725	14,627
Mobile Banking							
No. of customers	Absolute	1,232,258	931,965	656,485	566,846	542,449	292,756
No. of transactions - financial	"	1,689,324	1,487,899	1,377,762	1,139,634	906,522	704,008
No. of transactions - non-financial	"	3,908,141	3,390,035	3,365,913	3,097,579	2,996,584	2,673,556
Volume of transactions	Rs. Mln	24,597	15,018	14,842	12,258	10,484	8,516
Bancassurance							
No. of customers	Absolute	24,040	22,881	17,142	15,695	14,714	10,769
No. of policies	"	26,590	23,223	17,189	16,223	15,481	11,001
Bancassurance Premium	Rs. Mln	6,133	4,953	4,193	3,411	2,837	1,888
Bancassurance Revenue	Rs. Mln	944	698	768	565	723	474
Privilege Banking							
No. of accounts	Absolute	5,833	4,914	4,383	3,615	2,833	2,372
No. of customers	"	5,043	4,272	3,763	3,118	2,389	1,872
Trade							
Imports - volume	Rs. Mln	416,489	371,233	359,860	414,941	420,964	326,120
Exports - volume	"	220,912	162,899	170,032	171,072	208,640	161,776
Market share of total market trade(Foreign Trade)	%	5.64%	5.52%	6.37%	6.91%	7.03%	6.52%
Home Remittance							
Volume of home remittance - MCB	USD Mln	2,281	2,220	2,096	1,819	1,529	1,470
Volume of home remittance - MCB	Rs. Mln	251,862	232,340	213,755	184,130	154,656	137,376
Home Remittance MCB Market Share	%	11.64%	11.30%	10.90%	10.68%	10.48%	10.52%

Commentary of Six Years' Performance

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

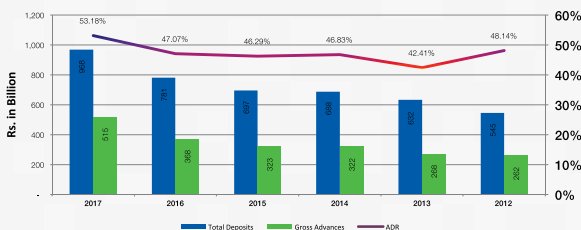
Statement of Financial Position

Total Assets:

The asset base of the Bank has registered a remarkable growth of 12.53% over the last 6 years growing from Rs. 654 billion as at December 31, 2011 to Rs. 1,327 billion as at December 31, 2017. Prime contributors to the said increase have been advances and investments, with investments growing by approximately 12.93%. 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 merged with and into MCB Bank Limited resulting in a significant increase in assets of 26.19%.

Advances:

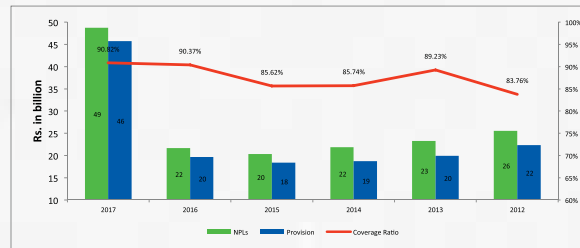
Credit off-take had been slow on account of macro-economic instability and law and order situation. Lack of credit opportunities and intense competition for the same pool of assets resulted in a moderate growth in gross advances base. However, over the past two years, steps taken in the right direction have paved way for advances growth for the industry, with MCB taking the due share of the said growth. Advances have grown at a CAGR of 12.82% over the last 6 years. Due to the said growth in advances in 2017, the ADR has increased from 50.88% as at December 31, 2011 to 53.18% in 2017.



Non-performing Loans:

Strengthened risk management policies coupled with aggressive provisioning approach has enabled the Bank to keep a check on quality of its assets. Bank has posted significant recoveries in past few years. In this regard, the infection ratio of the Bank was 10.67% as at December 31, 2011 which improved to 5.90% as at December 31, 2016. However, transfer of NPL stock from NIB Bank has increased the infection ratio to 9.47%. The quality of asset has been one of the prime focus areas of the Bank and the significant recoveries posted in the last few years reflects the

strategic focus of the Bank. The coverage ratio of the Bank has improved from 83.76% as at December 31, 2011 to 93.74% as at December 31, 2017. Moreover, the NPLs classified in "loss" category constitute more than 97% of the NPLs base as at December 31, 2017. 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. With an average growth rate of 13% over the last six years, the investment base of the Bank has grown from Rs. 317 billion as at December 31, 2011 to Rs. 657 billion as at December 31, 2017.

Deposits:

The deposit base of the Bank has steadily grown over the last six years, with absolute numbers increasing from Rs. 491 billion as at December 31, 2011 to Rs. 968 billion as at December 31, 2017. This includes deposits transferred on account of merger of NIB Bank with and into MCB Bank Limited. MCB Bank' carries the competitive edge of holding the highest CASA base, supporting its lower cost of deposits. The Bank has been strategically tapering off its high cost deposit during the past recent years which consummates with the decreasing interest rate scenario. The CASA base has registered remarkable increase in last 6 years, increasing from Rs. 400 billion as at December 31, 2011 to Rs. 899 billion as at December 31, 2017; 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. 8.3 billion as at December 2011 to Rs. 11.8 billion as at December 31, 2017, meeting the statutory capital requirements set by the Central Bank.
- In 2008, most affluent strategic partnership occurred in Pakistan where the largest Bank

Commentary of Six Years' Performance

of Malaysia, Maybank Berhad, acquired 20% holding in MCB Bank Limited. This brought synergies in technology, human resource and trade business. During the current year 2017, as part of the strategic initiative NIB Bank was merged with and into MCB Bank Limited that has expanded MCB Bank's retail footprint. The merger also further diversified Bank's shareholding, as through it we proudly welcomed Fullerton Financial Holdings (International) of Singapore as another significant international shareholder of the Bank.

- 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 16.44% as at December 31, 2017 against the statutory requirement of 11.275%. The Shareholders' equity has grown significantly from Rs. 79 billion as at December 31, 2011 to Rs. 136 billion as at December 31, 2017.
- The Bank has the highest cash dividend per share in the industry with regular interim dividends and remains one of the prime stocks preferred in the Pakistani equity markets.

Profit and Loss account

Net Interest Margin

- The composition of markup income has seen a shift in the last six years on the back of concentration shift in the earning asset base of the Bank. The contribution from markup income earned on advances has reduced from 42.43% in 2012 to 36.35% in 2017 while markup income from investments has increased to 63.27% (2012: 57.10%).
- The regulatory revisions covering minimum deposit rate during the past years period has adversely affected the Bank's net interest margin. The said impact was diluted by improving the CASA base over period taking it to over 93% as at December 31, 2017.

Non-Markup Income

- During last six years, fee, commission income and capital gains have been the major drivers behind non-fund income. Fee, commission income was supplemented on the back of new products and services added to the menu coupled with remote banking and branchless initiatives taken

by the Bank. The product development teams of the Bank have been tapping the unbanked segment of the population and offering them tailored products to meet their specific financial requirements. Different types of products have been offered in order to meet the needs of the time like credit card, mobile banking, visa debit card, MCB Lite, prepaid cards, IBFT etc.

- The fee, commission and brokerage block of the Bank has been constantly increasing over the years with major contributions coming from commission earned on card business, bancassurance business, remittances and intercity / intra-city cash transfers.
- The equity investment base of the Bank has been providing outstanding dividend yields with dividend income 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.

Operating Expenses

- Owing to the strengthened risk management framework, the provision charge of the Bank has been on a declining trend over years. The provision and write-off charge was reported at Rs. 291 million for the year 2012 followed by extensive recovery efforts and reversals in subsequent years. For the year 2013 & 2014, the Bank reversed provisions to the tune of Rs. 2.8 billion and Rs. 1.8 billion respectively based on the recoveries posted against classified advances. In 2017, provisions were recorded on the equity portfolio of the bank based on market volatility while recoveries were posted against advances. It is pertinent to add that the Bank carries an unencumbered general provision of around 0.1% of gross advances and has not taken the benefit of FSV in provision calculation for the year 2017.
- 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.

Commentary of Six Years' Performance

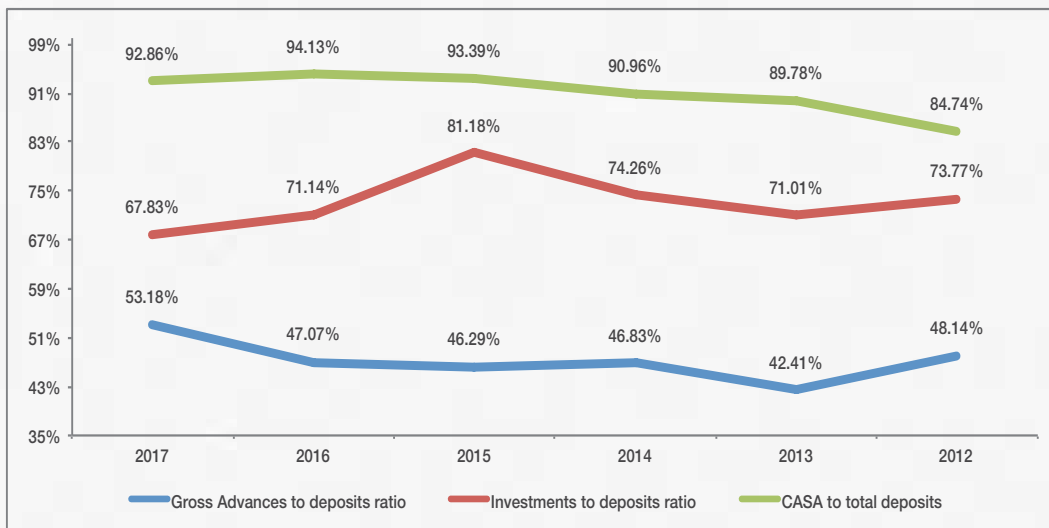
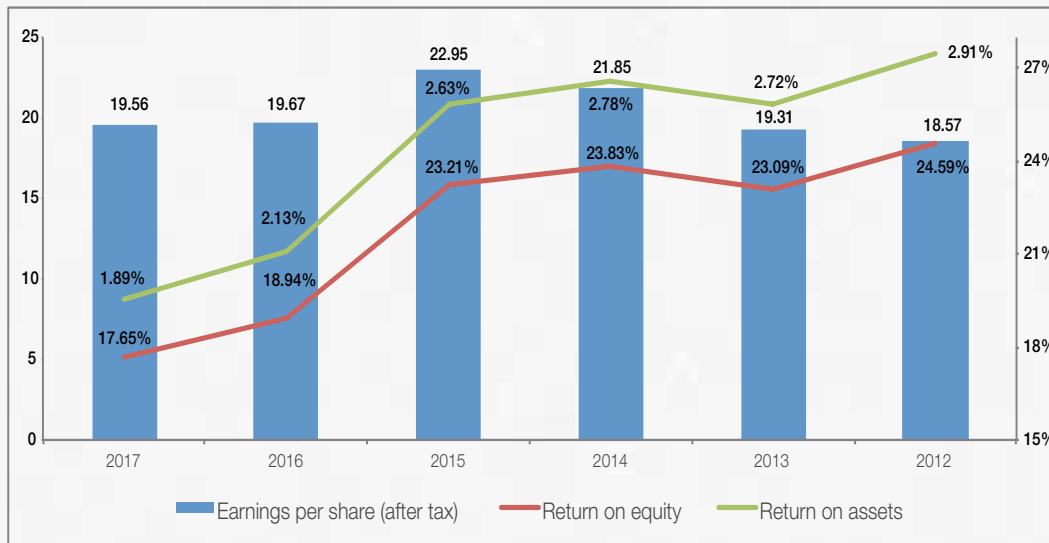
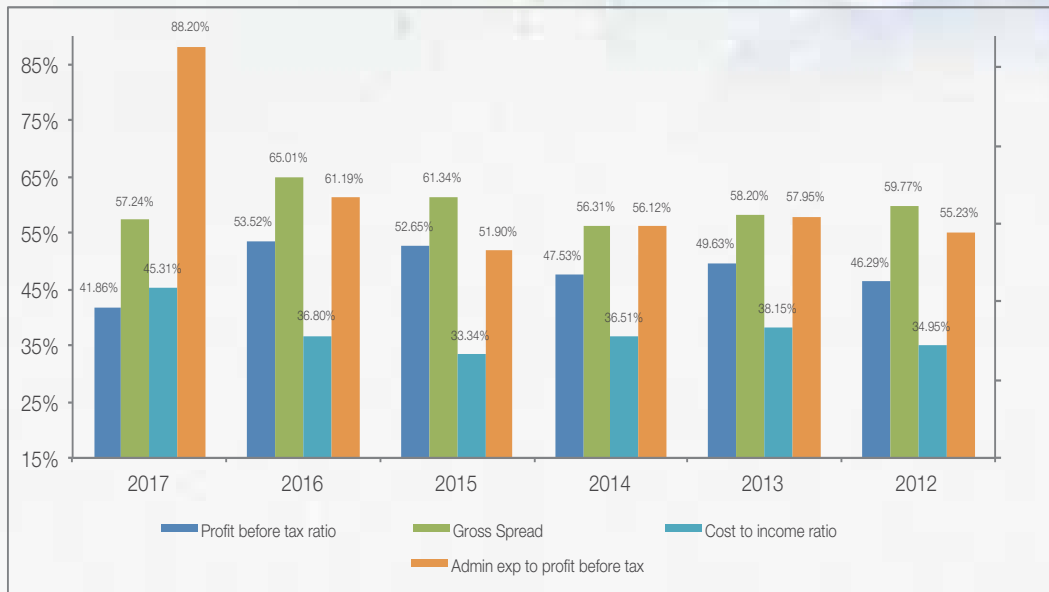
Profit before tax and Profit after tax:

- MCB Bank has been able to post outstanding profitability numbers over the period of last six years as substantiated by the highest EPS and remarkable return on asset ratio. Over the past few years, due to decreasing interest rate scenario and enactment of regulatory guidelines on minimum deposit rates, the net interest margins have registered significant compression. The post-tax profitability numbers were Rs. 20.6 billion for 2012 and now it stands at Rs. 22.5 billion for 2017. The aggregate profit after tax for the last six years has crossed Rs. 136 billion.
- The profitability ratios have been one of the best in the banking industry which are reflective of the effective management of the affairs and adoption of prudent strategies.
- During the year 2017, this is the 5th 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 7 times in past 8 years.
- In 2015, MCB Annual Report has been honoured 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.

Other statistics

- The Bank has added over almost 3 million customers to its base with the current statistics highlighting customer base over 7.6 million.
- With active participation in trade, MCB Bank has been able to improve trade volume in last 6 years which has increased to Rs. 416 billion for imports and Rs. 221 billion for exports.
- The Bank has been able to increase its market share in the remittance business growing from Rs. 107 billion as at December 31, 2011 to the volume of Rs. 252 billion as at December 31, 2017.
- In 2008, the Bank launched Bancassurance which was a unique cross functional service to the customers of the Bank. With only 131 policies and 129 customers in 2008, MCB Bank now manages more than 24,000 policies and customers with premium amount of more than Rs. 6 billion.
- MCB Bank launched mobile banking in 2009 with approximately 53K customers reported by the end of the year. As of 2017, the numbers of mobile customers have grown to 1.2 million and above with transaction volume of over Rs. 24 billion.
- The Bank launched Privilege Banking in 2009 targeting a specific customer base of high net worth individuals. As of 2017, Privilege Bank proposition serves 5,043 customers.
- 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.

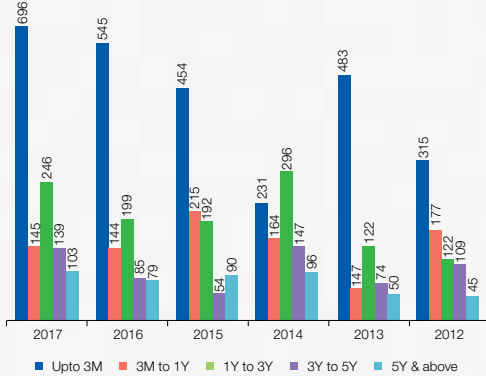
Six Years' Summary of Ratios



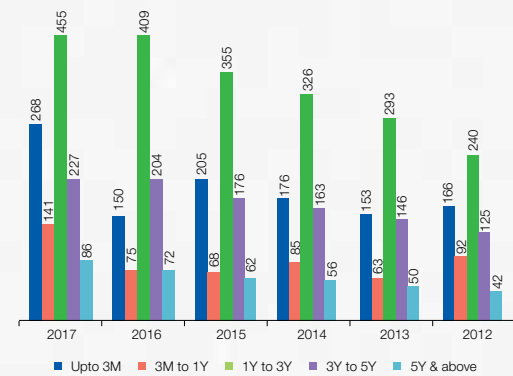
Six Years' Summary of Concentration & Maturities

Maturities of Total Assets and Total Liabilities (as per ALCO Note)

Maturities of Assets (2012-2017)
(Rs. in Billion)

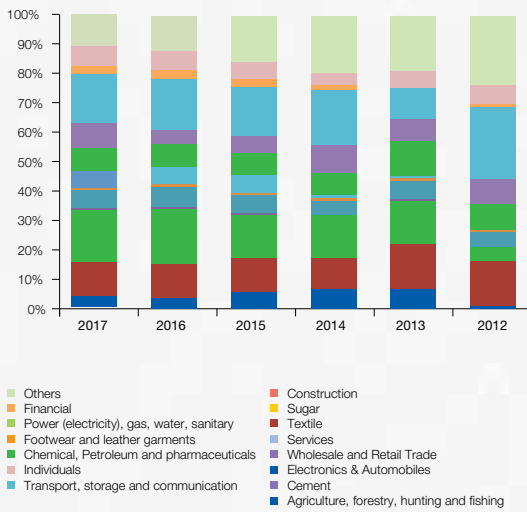


Maturities of Liabilities (2012-2017)
(Rs. in Billion)

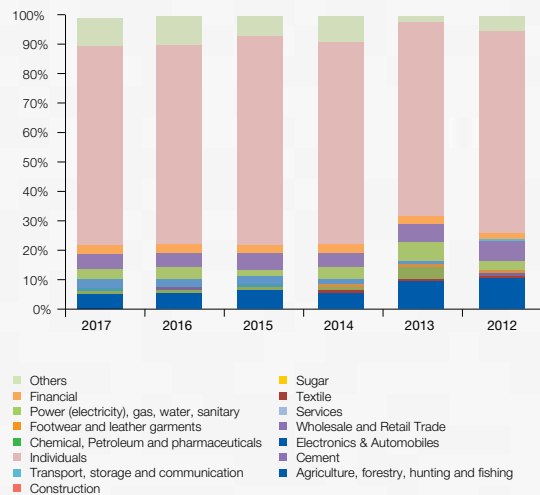


Concentration of Advances, NPLs, Deposits and Off-Balance Sheet Items

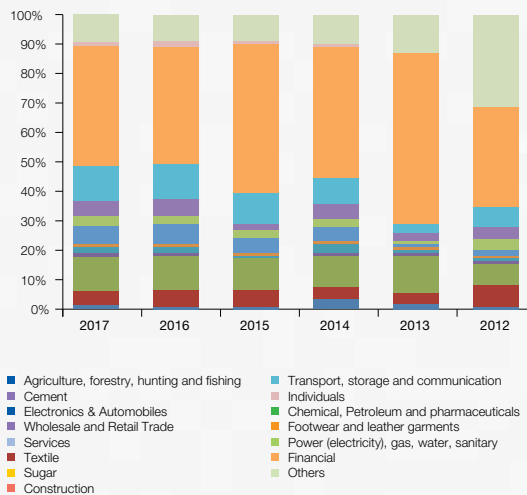
Gross Advances (2012-2017)



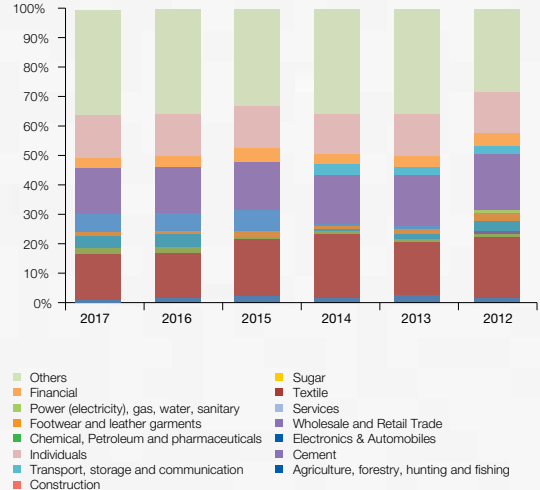
Classified Advances (2012-2017)



Deposits (2012-2017)



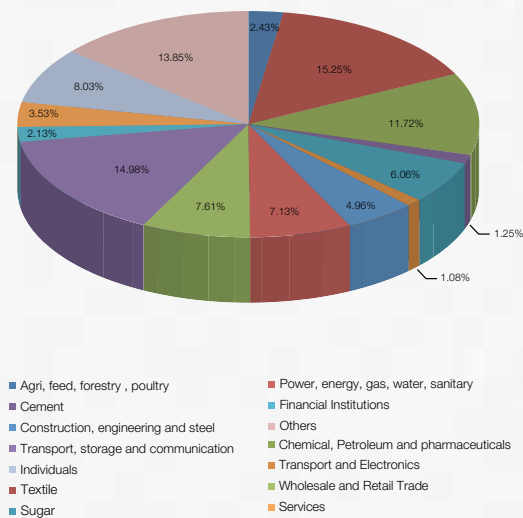
Off Balance Sheet Items (2012-2017)



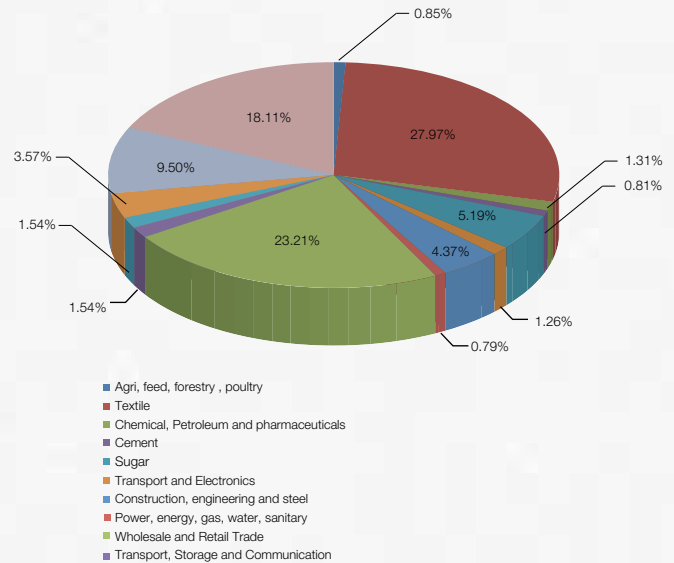
Concentration of Advances, NPLs, Deposits & Off-Balance Sheet Items

Segments by class of business	Advances (Gross)			Classified Advances			Deposits			Off balance sheet items		
	PKR Mln	Mix	Var. %	PKR Mln	Mix	Var. %	PKR Mln	Mix	Var. %	PKR Mln	Mix	Var. %
Agri, feed, forestry , poultry	12,509	2%	-10%	414	1%	34%	27,173	3%	-28%	1,594	0%	-30%
Textile	78,548	15%	96%	13,628	28%	311%	6,643	1%	73%	16,733	4%	13%
Chemical, Petroleum and pharmaceuticals	60,380	12%	-5%	636	1%	72%	7,340	1%	-13%	20,497	4%	-39%
Cement	6,419	1%	122%	393	0%	-	1,045	0%	4%	6,509	1%	116%
Sugar	31,205	6%	37%	2,527	5%	182%	5,017	1%	92%	3,299	1%	-15%
Transport and Electronics	5,582	1%	104%	614	1%	117%	6,663	1%	69%	4,822	1%	31%
Construction, engineering and steel	25,535	5%	23%	2,128	4%	59%	46,929	5%	130%	19,857	4%	6%
Power, energy, gas, water, sanitary	36,728	8%	37%	384	1%	20133%	32,723	3%	43%	12,060	3%	51%
Wholesale and Retail Trade	39,201	8%	28%	11,306	23%	264%	43,564	4%	22%	17,816	4%	21%
Transport, storage and communication	77,156	15%	28%	748	2%	990%	8,157	1%	106%	29,865	7%	-8%
Financial Institutions	10,945	2%	33%	777	2%	2%	21,711	2%	24%	233,266	51%	113%
Services	18,192	4%	84%	1,741	4%	132%	66,888	7%	13%	52,922	12%	66%
Individuals	41,342	8%	63%	4,629	9%	57%	600,745	62%	22%	8,350	2%	50%
Others	71,317	14%	79%	8,825	18%	17%	93,886	10%	32%	31,186	7%	21%
Total	515,058	100%	40%	48,753	100%	125%	968,483	100%	24%	458,775	100%	49%

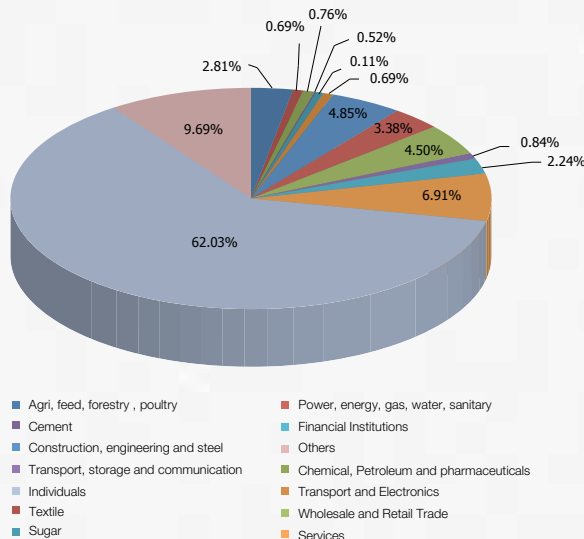
Advances (Gross)



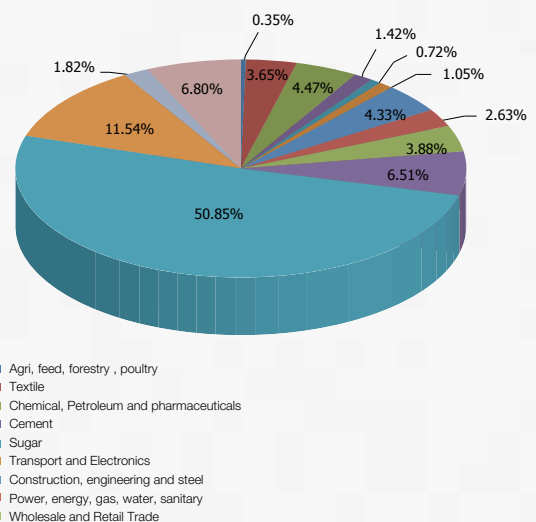
Classified Advances



Deposits



Off Balance Sheet Items



Maturities of Assets & Liabilities

(Rs. in Millions)

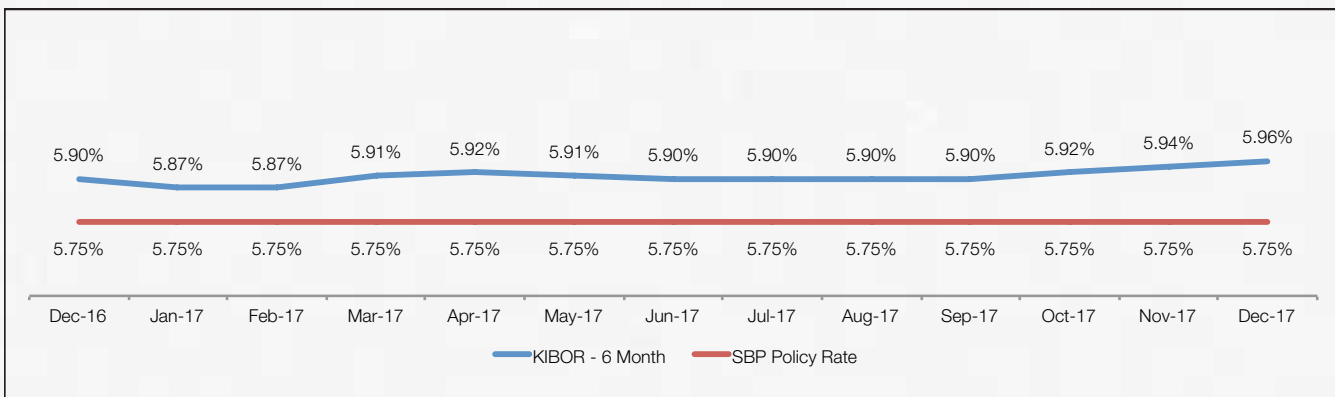
	2017	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
Assets						
Cash and balances with treasury banks	106,072	106,072	-	-	-	-
Balances with other banks	4,579	4,579	-	-	-	-
Lendings to financial institutions	4,398	4,398	-	-	-	-
Investments - net	656,963	396,409	90,817	100,734	42,203	26,800
Advances - net	469,355	157,987	39,872	141,703	82,849	46,944
Operating fixed assets	39,575	493	1,480	3,946	3,946	29,710
Deferred tax assets	3,283	-	3,283	-	-	-
Other assets - net	46,369	26,302	9,767	21	10,279	-
	1,330,594	696,240	145,219	246,404	139,277	103,454
Liabilities						
Bills payable	22,681	22,681	-	-	-	-
Borrowings	133,069	106,787	19,542	6,740	-	-
Deposits and other accounts	968,483	119,943	111,562	442,740	221,018	73,220
Sub-ordinated loan	3,893	-	2	3	3,888	-
Deferred tax liabilities	7,907	57	839	676	1,500	4,835
Other liabilities	40,994	18,686	8,694	4,929	982	7,703
	1,177,027	268,154	140,639	455,088	227,388	85,758

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

Key Interest Bearing Assets and Liabilities

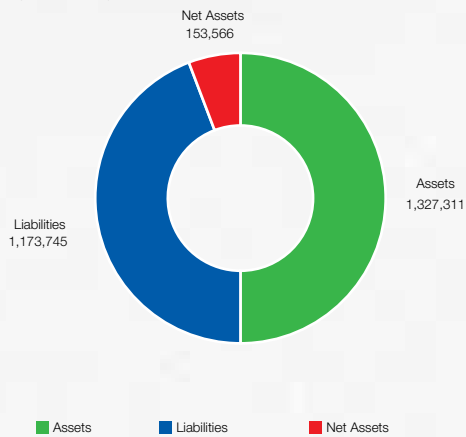
	2017			2016		
	Avg. Vol (Mln)	Effective Interest Rate %	Interest (Mln)	Avg. Vol (Mln)	Effective Interest Rate %	Interest (Mln)
Interest Earning Assets						
Lendings to Financial Institutions	4,277	4.06	174	2,827	4.31	122
Gross Advances (excluding NPLs)	395,631	6.81	26,931	316,357	7.26	22,956
Gross Investments (excluding equity investments)	657,401	7.13	46,876	508,379	8.70	44,226
Interest Bearing Liabilities						
Deposits (excl. current deposits)	544,318	4.06	22,074	458,263	4.00	18,313
Borrowings	172,757	5.12	8,837	85,276	5.34	4,556
Subordinated loan	1,888	7.31	138	-	-	-

Policy Rate & KIBOR - 6 months

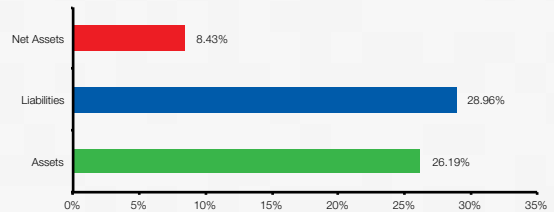


Graphical Presentation of Financial Statements

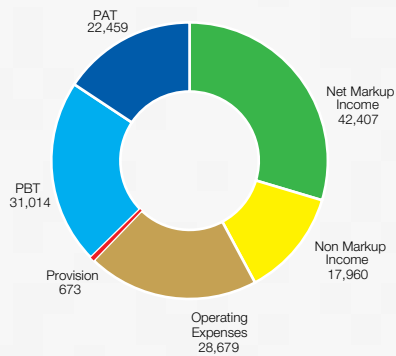
Statement of Financial Position
(Rs. in Million)



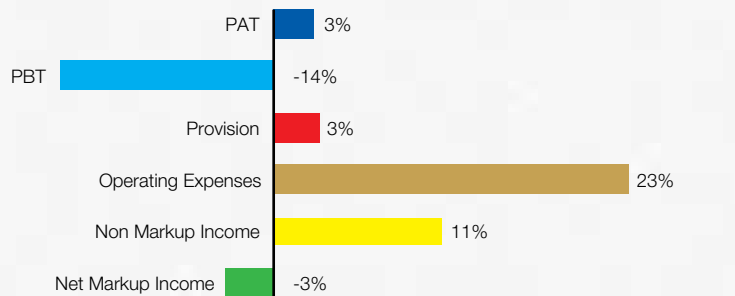
Variance from YE 16



Profit and Loss
(Rs. in Million)

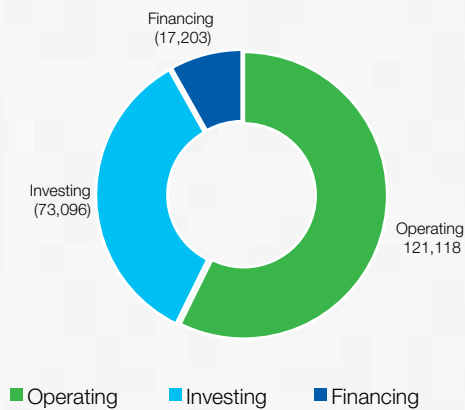


Variance from YE 16

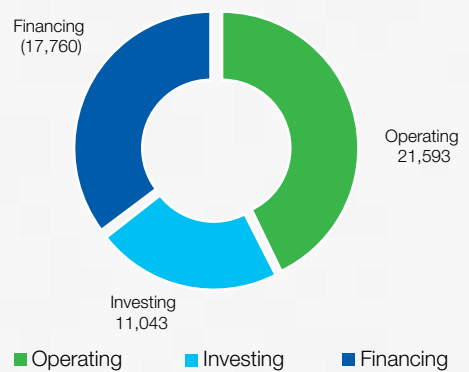


Cash Flows
(Rs. in Million)

2017

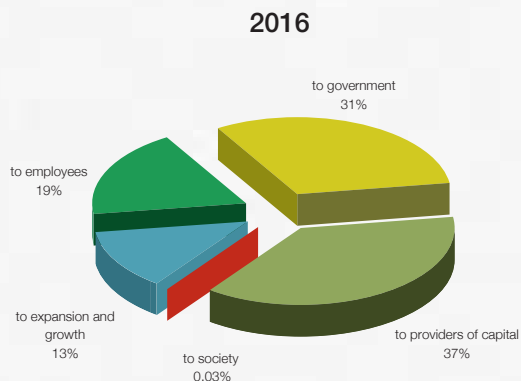
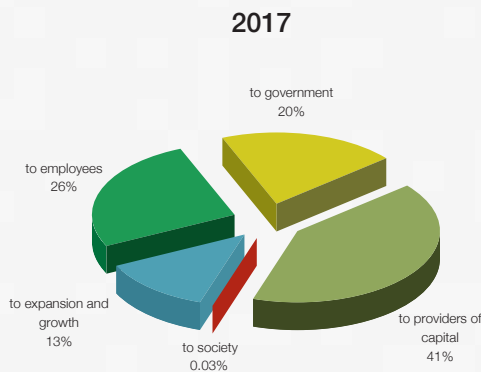


2016



Statement of Value Added

	2017		2016	
	PKR Mln	%	PKR Mln	%
Value Added				
Net interest income	42,407		43,814	
Non interest income	17,960		16,175	
Operating expenses excluding staff costs, depreciation, amortization	(13,643)		(11,423)	
Provision against advances, investments & others	(1,236)		(925)	
Value added available for distribution	45,488		47,641	
Distribution of value added:				
To employees				
Remuneration, provident fund and other benefits	12,411	27.28%	9,381	19.69%
Pension fund reversal	(572)	-1.26%	(516)	-1.08%
	11,839	26.03%	8,865	18.61%
To government				
Income tax & others	9,175	20.17%	14,905	31.29%
To providers of capital				
Cash dividends to shareholders	18,673	41.05%	17,808	37.38%
To Society				
Donations	12	0.03%	13	0.03%
To expansion and growth				
Depreciation	1,759	3.87%	1,602	3.36%
Amortization	244	0.54%	366	0.77%
Retained earnings	3,786	8.32%	4,082	8.57%
	5,789	12.73%	6,050	12.70%
	45,488	100%	47,641	100%



Summary of Cash Flows

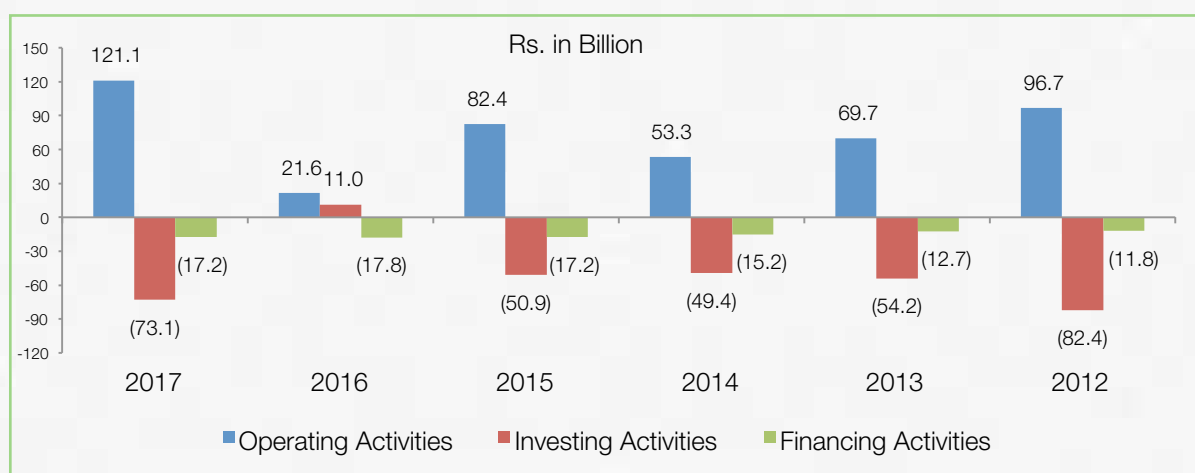
	(Rs. in Millions)					
	2017	2016	2015	2014	2013	2012
Cash flows from operating activities	121,118	21,593	82,440	53,343	69,725	96,701
Cash flows from investing activities	(73,096)	11,043	(50,942)	(49,394)	(54,177)	(82,369)
Cash flows from financing activities	(17,203)	(17,760)	(17,167)	(15,175)	(12,673)	(11,815)
Cash and cash equivalents at beginning of the year	78,407	63,682	49,427	60,857	57,783	55,293
Cash and cash equivalents at end of the year	109,543	78,407	63,682	49,427	60,857	57,783

Commentary of Cash Flow Statement:

Cash inflow from operating activities depicts cash inflows from core business of the bank i.e. Deposit generation. In 2017, cash flow generated from operating activities is Rs. 121.2 billion which has increased significantly when compared with Rs. 96.7 billion in 2012. In 2017, deposit growth contributed cash inflow of Rs. 105.3 billion which was utilized in the funding activities to the tune of Rs. 49.1 billion. Calendar year 2017 remains a hall mark year in terms of operational activity as the Bank reported highest base on both key performance indicators (i.e. Deposits and Advances). For the year 2017, the increase in the asset base was primarily led by advances. Historically, investments have been the major contributors to the increased asset base.

On the investing front, highest cash outflow was observed in the year 2012. However, post 2012, there has been considerable increase in the investment base (net of maturities and disposal) of the bank reflected by the consistent cash outflow. For the year 2017, the bank invested Rs. 73 billion on the investment front.

Cash outflow from financing activities reflects payments on account of dividends to shareholders. Considering that MCB has the highest dividend payout ratio in the financial industry with quarterly payouts, Rs. 17.2 billion cash outflow was reported for the year 2017.



Cash Flow Statement

Direct Method

(Rs. in Millions)

	2017	2016
Cash flows from operating activities		
Mark-up / return / interest and commission receipts	88,517	85,939
Mark-up / return / interest payments	(30,195)	(24,547)
Payments to employees, suppliers and others	(24,536)	(19,862)
	33,786	41,530
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,588)	270
Net investments in 'held for trading' securities	111	222
Advances - net	(49,071)	(45,159)
Other assets	(1,407)	(1,410)
	(51,955)	(46,077)
Increase / (decrease) in operating liabilities		
Bills payable	6,899	955
Borrowings	33,326	(43,187)
Deposits and other accounts	105,312	84,625
Other liabilities	1,471	(76)
	147,008	42,317
	128,839	37,770
Income tax paid	(7,721)	(16,178)
	121,118	21,592
Net cash flows from operating activities		
Cash flows from investing activities		
Net investments in 'available for sale' securities	(80,857)	14,690
Net investments in 'held to maturity' securities	(4,217)	(8,683)
Net cash inflow on amalgamation	14,268	-
Proceeds from divestment in associate	783	589
Proceeds from demerger scheme	-	5,902
Dividends received	1,636	1,429
Investments in operating fixed assets	(4,745)	(3,485)
Sale proceeds of property and equipment disposed off	36	601
Net cash flows from investing activities	(73,096)	11,043
Cash flows from financing activities		
Redemption of Subordinated loan	(1)	-
Dividend paid	(17,202)	(17,760)
Net cash flows from financing activities	(17,203)	(17,760)
Exchange differences on translation of the net investment in foreign branches	317	(151)
Increase in cash and cash equivalents	31,136	14,724
Cash and cash equivalents at beginning of the year	77,366	63,968
Effects of exchange rate changes on cash and cash equivalents	1,041	(285)
	78,407	63,683
Cash and cash equivalents at end of the year	109,543	78,407

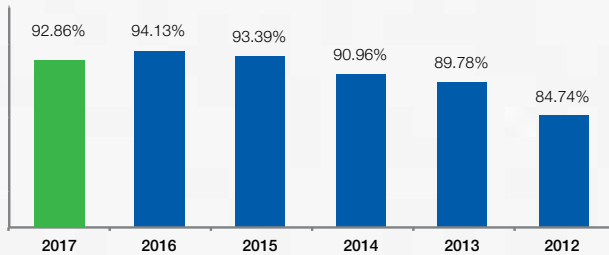
Cash flow statement in annual financial statements is required to prepare in line with the format prescribed by State Bank of Pakistan under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements.

Deposits & Advances

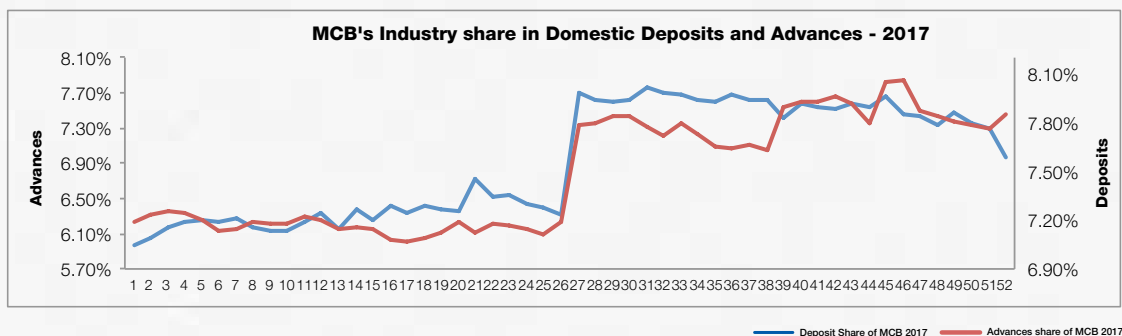
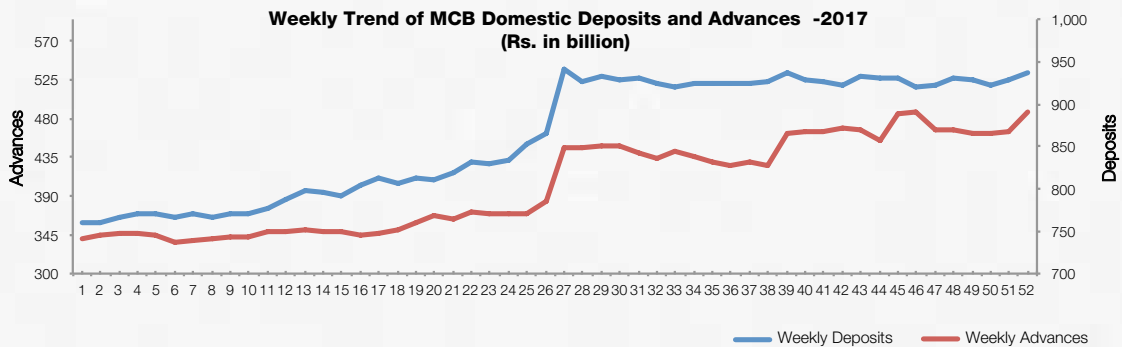
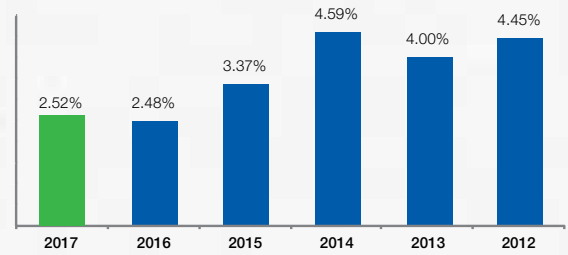
(Rs. in Billion)

	Groupwise Deposits				Groupwise Advances			
	2017	2016	Variance		2017	2016	Variance	
			Amount	%			Amount	%
Commercial & Consumer	895.5	728.7	166.8	22.89%	204.0	95.9	108.0	112.64%
Corporate	43.2	31.7	11.5	36.14%	274.8	243.8	31.0	12.70%
Others	29.8	21.0	8.8	41.68%	36.3	27.9	8.4	29.97%
Total	968.5	781.4	187.1	23.94%	515.1	367.7	147.4	40.08%

CASA to Total Deposit (2012-2017)
%



Weighted Average Cost of Deposits (2012-2017)
%

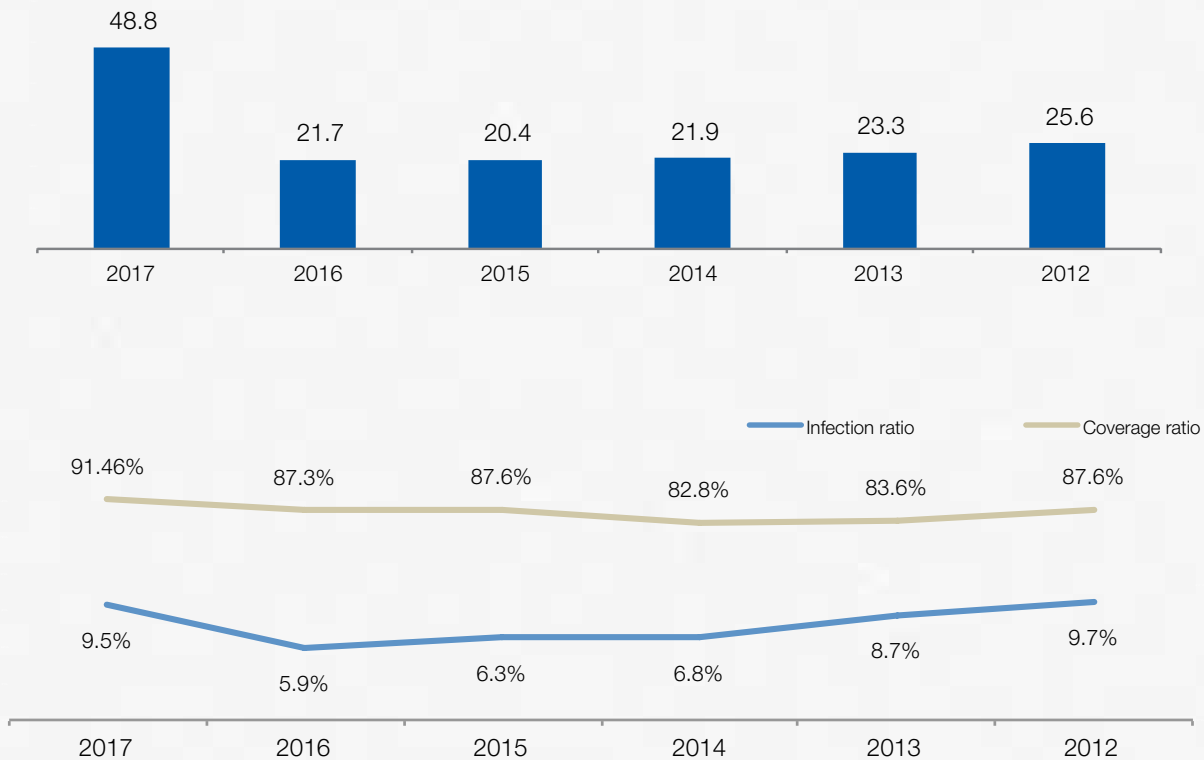


Non-Performing Loans

(Rs. in Millions)

	2017		2016		Variance		2017
	NPLs	Provision	NPLs	Provision	NPLs	Provision	Coverage
Category wise							
OAEM	171	10	32	2	436%	514%	6%
Substandard	552	137	75	19	637%	641%	25%
Doubtful	563	281	363	182	55%	55%	50%
Loss	47,467	44,158	21,218	18,736	124%	136%	93%
Total	48,753	44,587	21,688	18,938	125%	135%	91%
Groupwise							
Commercial & Consumer	32,656	31,389	3,899	3,669	737%	756%	96%
Corporate	1,967	1,967	4,306	4,304	-54%	-54%	100%
Others	14,131	11,231	13,483	10,965	5%	2%	79%
	48,753	44,587	21,688	18,938	125%	135%	91%

Non Performing Loans (2012-2017)



Coverage ratio = Specific provision / NPLs

INVESTMENTS

Top 10 Listed Equity Holdings as on December 31, 2017

Company Name	Total Shares / units (number)	Book Value (Rs. Mln)	Market Value (Rs. Mln)
Kot Addu Power Company	15,662,000	1,344	844
PICIC Growth Fund	43,482,858	1,304	1,233
Fauji Fertilizer Company Limited	10,094,000	1,162	799
Oil & Gas Development Corporation	5,011,035	933	816
PICIC Investment Fund	66,090,021	931	882
Sui Northern Gas Pipelines Limited	18,983,010	822	1,796
Pakistan Petroleum Limited	3,053,118	634	629
Allied Bank Limited	5,325,400	589	453
Engro Corporation Limited	1,735,200	552	477
National Refinery Limited	749,250	548	323

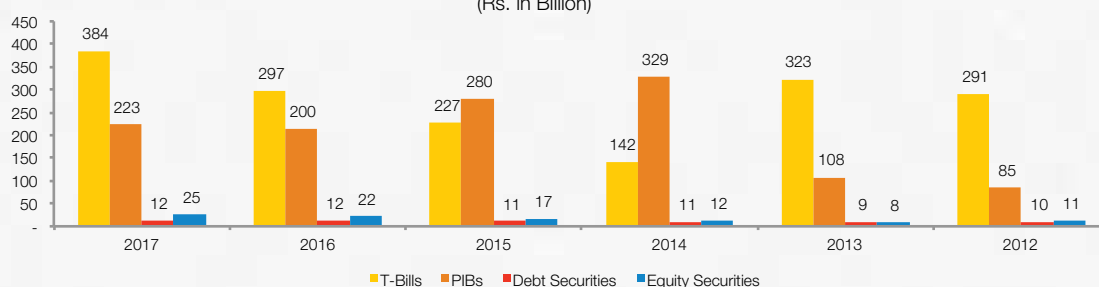
Investment in Associates and Subsidiaries

Company Name	MCB Holding	Shares held (numbers)	Book Value (Rs. Mln)
Associates			
Adamjee Insurance Company Limited	21.47%	75,161,424	695.65
Euronet Pakistan (Pvt.) Limited	30.00%	52,521	52.52
Subsidiaries			
MCB - Arif Habib Savings & Investments Limited	51.33%	36,956,768	320.12
MNET Services Limited	99.95%	4,997,500	49.98
MCB Financial Services Limited	99.999%	2,750,000	27.50
MCB Islamic Bank Limited	100.00%	1,000,000,000	10,000.00
MCB Leasing Closed Joint Company Limited	99.94%	4,281,105	448.19
Financial & Management Services (Pvt.) Limited	95.90%	*	*

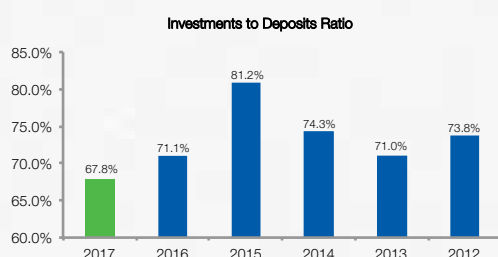
* Fully provided subsidiary and the company is dormant

Category of Investments - Cost (2012-2017)

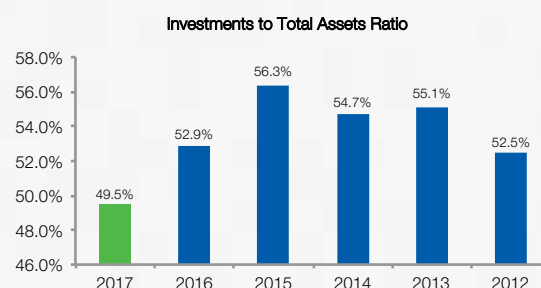
(Rs. in Billion)



Investments to Deposits Ratio (2012-2017)



Investments to Total Assets Ratio (2012-2017)



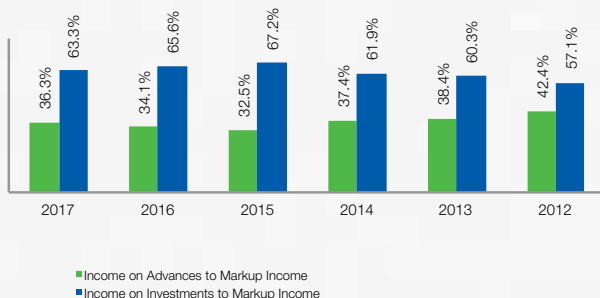
Markup and Non Markup Income

(Rs. in Millions)

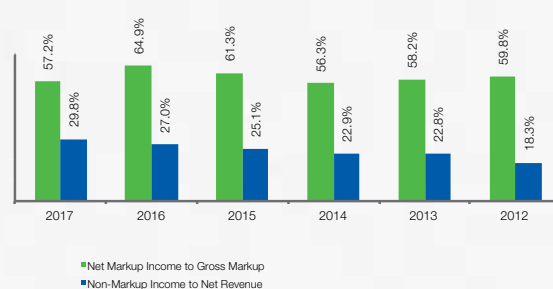
	2017	2016	2015	2014	2013	2012
Markup Income						
Loans and advances	26,931	22,956	26,128	28,922	24,990	29,002
Investments	46,876	44,226	54,010	47,835	39,233	39,034
Deposits with financial institutions	111	97	79	31	95	40
Securities purchased under resale agreements	71	101	164	448	732	257
Money at call	103	21	13	33	14	23
	74,091	67,400	80,393	77,269	65,064	68,356
Markup Expense						
Deposits	22,074	18,313	23,326	30,341	23,561	23,043
Securities under repurchase agreements	7,590	3,516	5,289	1,092	1,706	2,628
Other short-term borrowings	1,247	1,040	1,896	1,698	1,108	1,154
Subordinated loan	138	-	-	-	-	-
Discount, Commission and brokerage	604	655	487	499	534	512
Others	31	62	79	127	288	164
	31,684	23,586	31,077	33,757	27,196	27,500
Net Markup Income	42,407	43,814	49,316	43,512	37,868	40,856

	2017	2016	2015	2014	2013	2012
Non Markup Income						
Fee, Commission & Brokerage Income	9,354	7,640	7,842	7,225	6,741	5,934
Dividend Income	1,941	1,456	1,267	1,061	933	1,198
Income from dealing in foreign currency	1,303	912	946	1,443	917	823
Gain on sale of securities	4,741	5,679	4,429	1,648	2,130	825
Other Income	621	488	2,083	1,566	450	374
	17,960	16,175	16,566	12,944	11,171	9,153

Markup Income from Advances and Investments
(2012 - 2017)



Income Composition
(2012 - 2017)

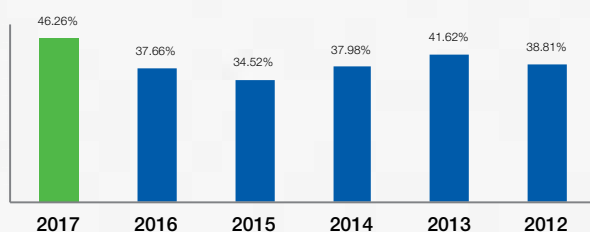


Administrative Expenses

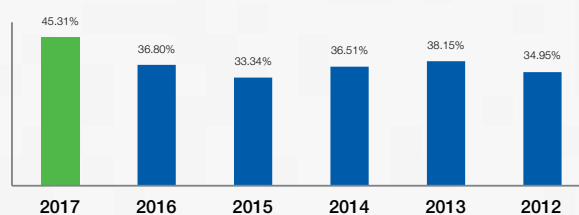
(Rs. in Millions)

	2017	2016	2015	2014	2013	2012
Personnel Expenses						
Salaries and allowances	11,681	8,718	9,224	8,755	8,640	8,434
Voluntary Separation Scheme	-	-	-	26	1,058	-
Contributions to defined contribution plan - provident fund	302	245	234	215	198	188
Post retirement medical benefits	174	171	167	157	188	187
Employees' contributory benevolent scheme	16	18	20	28	55	40
Employees' compensated absences	237	229	142	233	147	98
	12,411	9,381	9,786	9,414	10,286	8,948
Others Administrative expenses						
Non-executive directors' fees	39	35	35	34	32	33
Rent, taxes, insurance, electricity	3,441	2,687	2,898	2,733	2,555	1,965
Legal and professional charges	328	265	218	282	272	177
Communications	1,329	1,108	1,221	965	862	932
Repairs and maintenance	2,212	1,838	1,666	1,499	1,103	1,208
Stationery and printing	646	543	614	561	503	402
Advertisement and publicity	531	483	356	315	119	393
Cash transportation charges	631	551	547	550	482	461
Instrument clearing charges	138	128	141	140	125	187
Donations	12	13	6	40	25	31
Auditors' remuneration	41	24	39	34	32	21
Depreciation	1,759	1,573	1,608	1,724	1,541	1,379
Amortization of intangible asset	244	366	374	360	260	260
Travelling, conveyance and fuel	355	375	325	315	214	745
Subscription	18	27	16	18	20	18
Entertainment	235	186	177	160	118	110
Training Expenses	60	51	46	35	41	30
Petty Capital items	73	71	59	46	33	35
Card Related Expenses	528	415	348	298	238	147
Others	2,897	2,474	2,264	1,918	1,551	1,926
Total other administrative expenses	15,515	13,210	12,957	12,028	10,126	10,462
Administrative expenses without PF reversal	27,925	22,591	22,744	21,443	20,411	19,410
Pension fund reversal	(572)	(516)	(776)	(832)	(1,701)	(1,933)
Total Administrative expenses	27,354	22,074	21,968	20,611	18,710	17,477

Cost to Income Ratio
(excluding pension fund reversal)



Cost to Income Ratio



Six Years' Vertical Analysis

Statement of Financial Position / Profit & Loss

	2017		2016		2015		2014		2013		2012	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	106,072	8%	74,222	7%	60,568	6%	46,754	5%	59,946	7%	57,420	7%
Balances with other banks	4,579	0%	4,344	0%	3,611	0%	3,016	0%	1,537	0%	1,192	0%
Lendings to financial institutions	4,398	0%	2,810	0%	3,080	0%	1,418	0%	1,225	0%	1,551	0%
Investments	656,964	49%	555,929	53%	565,696	56%	511,137	55%	449,006	55%	402,069	52%
Advances	469,356	35%	348,117	33%	304,122	30%	303,559	32%	248,243	30%	239,583	31%
Operating fixed assets	39,574	3%	32,753	3%	29,950	3%	31,193	3%	28,595	4%	23,738	3%
Other assets	46,368	3%	33,640	3%	37,384	4%	37,555	4%	26,956	3%	41,520	5%
	1,327,311	100%	1,051,814	100%	1,004,410	100%	934,631	100%	815,508	100%	767,075	100%
Liabilities												
Bills payable	22,681	2%	12,844	1%	11,889	1%	16,628	2%	10,139	1%	9,896	1%
Borrowings	133,070	10%	74,515	7%	118,040	12%	59,543	6%	38,543	5%	78,951	10%
Deposits	968,483	73%	781,430	74%	696,805	69%	688,330	74%	632,330	78%	545,061	71%
Sub-ordinated loan	3,893	0%	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	4,625	0%	11,260	1%	11,377	1%	10,397	1%	4,201	1%	9,530	1%
Other liabilities	40,994	3%	30,138	3%	28,498	3%	29,630	3%	20,064	2%	21,166	3%
	1,173,745	88%	910,187	87%	866,608	86%	804,527	86%	705,277	86%	664,604	87%
Net Assets	153,566	12%	141,627	13%	137,802	14%	130,104	14%	110,231	14%	102,471	13%
Represented by												
Share capital	11,851	1%	11,130	1%	11,130	1%	11,130	1%	10,118	1%	9,199	1%
Reserves	70,866	5%	53,347	5%	51,309	5%	48,830	5%	46,601	6%	44,253	5.8%
Unappropriated profit	53,776	4%	53,469	5%	50,747	5%	46,948	5%	40,552	5%	35,425	4.6%
Surplus on revaluation of assets - net of tax	17,073	1%	23,680	2%	24,616	2%	23,196	2%	12,959	2%	13,594	1.8%
	153,566	12%	141,627	13%	137,802	14%	130,104	14%	110,231	14%	102,471	13%
Profit & Loss Account												
Mark-up earned	74,091	80%	67,400	81%	80,393	83%	77,269	86%	65,064	85%	68,356	88%
Mark-up expensed	(31,684)	-34%	(23,586)	-28%	(31,077)	-32%	(33,757)	-37%	(27,196)	-36%	(27,500)	-35%
Net mark-up income	42,407	46%	43,814	52%	49,316	51%	43,512	48%	37,868	50%	40,856	53%
Provisions & write off	(1,236)	-1%	(925)	-1%	(659)	-1%	1,864	2%	2,888	4%	(291)	0%
Net mark-up income after provisions	41,171	45%	42,889	51%	48,658	50%	45,376	50%	40,756	53%	40,565	52%
Non-mark-up income	17,960	20%	16,175	19%	16,566	17%	12,944	14%	11,171	15%	9,153	12%
Non-mark-up expenses	(28,117)	-31%	(22,989)	-28%	(22,895)	-24%	(21,591)	-24%	(19,639)	-26%	(18,077)	-23%
Profit before taxation	31,014	34%	36,075	43%	42,329	44%	36,729	41%	32,288	42%	31,642	41%
Taxation	(8,555)	-9%	(14,184)	-17%	(16,782)	-17%	(12,405)	-14%	(10,793)	-14%	(10,969)	-14%
Profit after taxation	22,459	24%	21,891	26%	25,546	26%	24,325	27%	21,495	28%	20,673	27%

Six Years' Horizontal Analysis

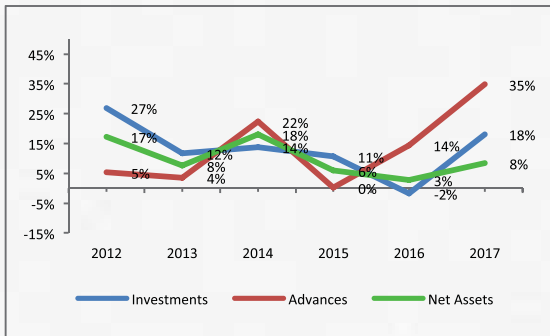
Statement of Financial Position / Profit & Loss

	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12	2012	12 Vs 11
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	106,072	43%	74,222	23%	60,568	30%	46,754	-22%	59,946	4%	57,420	8%
Balances with other banks	4,579	5%	4,344	20%	3,611	20%	3,016	96%	1,537	29%	1,192	-48%
Lendings to financial institutions	4,398	57%	2,810	-9%	3,080	117%	1,418	16%	1,225	-21%	1,551	62%
Investments	656,964	18%	555,929	-2%	565,696	11%	511,137	14%	449,006	12%	402,069	27%
Advances	469,356	35%	348,117	14%	304,122	0%	303,559	22%	248,243	4%	239,583	5%
Operating fixed assets	39,574	21%	32,753	9%	29,950	-4%	31,193	9%	28,595	20%	23,738	8%
Other assets	46,368	37%	33,640	-10%	37,384	0%	37,555	39%	26,956	-35%	41,520	33%
	1,327,311	26%	1,051,814	5%	1,004,410	7%	934,631	15%	815,508	6%	767,075	17%
Liabilities												
Bills payable	22,681	77%	12,844	8%	11,889	-29%	16,628	64%	10,139	2%	9,896	5%
Borrowings	133,070	79%	74,515	-37%	118,040	98%	59,543	54%	38,543	-51%	78,951	102%
Deposits	968,483	24%	781,430	12%	696,805	1%	688,330	9%	632,330	16%	545,061	11%
Sub-ordinated loan	3,893	100%	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	4,625	-59%	11,260	-1%	11,377	9%	10,397	147%	4,201	-56%	9,530	47%
Other liabilities	40,994	36%	30,138	6%	28,498	-4%	29,630	48%	20,064	-5%	21,166	15%
	1,173,745	29%	910,187	5%	866,608	8%	804,527	14%	705,277	6%	664,604	18%
Net Assets												
	153,566	8%	141,627	3%	137,802	6%	130,104	18%	110,231	8%	102,471	15%
Represented by												
Share capital	11,851	6%	11,130	0%	11,130	0%	11,130	10%	10,118	10%	9,199	10%
Reserves	70,866	33%	53,347	4%	51,309	5%	48,830	5%	46,601	5%	44,253	5%
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Profit & Loss Account												
Mark-up earned	74,091	10%	67,400	-16%	80,393	4%	77,269	19%	65,064	-5%	68,356	0%
Mark-up expensed	(31,684)	34%	(23,586)	-24%	(31,077)	-8%	(33,757)	24%	(27,196)	-1%	(27,500)	16%
Net mark-up income	42,407	-3%	43,814	-11%	49,316	13%	43,512	15%	37,868	-7%	40,856	-8%
Provisions & write off	(1,236)	34%	(925)	40%	(659)	-135%	1,864	-35%	2,888	-1093%	(291)	-93%
Net mark-up income after provisions	41,171	-4%	42,889	-12%	48,658	7%	45,376	11%	40,756	0%	40,565	1%
Non-mark-up income	17,960	11%	16,175	-2%	16,566	28%	12,944	16%	11,171	22%	9,153	13%
Non-mark-up expenses	(28,117)	22%	(22,989)	0%	(22,895)	6%	(21,591)	10%	(19,639)	9%	(18,077)	6%
Profit before taxation	31,014	-14%	36,075	-15%	42,329	15%	36,729	14%	32,288	2%	31,642	1%
Taxation	(8,555)	-40%	(14,184)	-15%	(16,782)	35%	(12,405)	15%	(10,793)	-2%	(10,969)	-9%
Profit after taxation	22,459	3%	21,891	-14%	25,546	5%	24,325	13%	21,495	4%	20,673	6%

Commentary on Six Years Horizontal and Vertical Analysis:

Horizontal Analyses

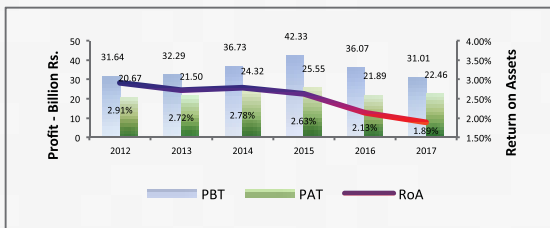
Asset base of the bank has increased considerably over the past 6 years and crossed many milestones i.e. PKR 1 trillion; highest increase in the asset base is observed in 2017 where assets increased by 26%, mainly contributed by advances in terms of volume. This increase also includes assets transferred under merger of NIB Bank into MCB Bank Limited. On an annualized basis, the asset base has recorded an increase of 13% over the last six years. During the past 6 years, highest increase in investment base was reported in 2012 i.e. 27%. 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. 545 billion in 2012 to Rs. 968 billion in 2017 translating into a CAGR of 12% over past 6 years. Highest increase was reported in 2017, primarily on account of splendid growth in deposits coupled with deposits transferred under merger of NIB Bank into MCB Bank Limited. Equity of the bank has also posted healthy increase due to higher profitability in past 6 years, translating into 9% average growth in past 6 years.

On to Profit and Loss side, gross markup earned has posted an average increase of 1% over a span of six years. Corresponding to the shift in asset mix, contribution from income on investments has increased over the years. The increase in markup expense on deposits is on account of regulatory revisions enacted by the Central Bank and volumetric increase in deposit base. Despite the regulatory revisions enacted during the period, the cost of deposit was strategically managed by reducing high cost deposits and increasing the CASA base of the Bank. However, the cost of deposit has increased by 5% over the six year period under coverage.

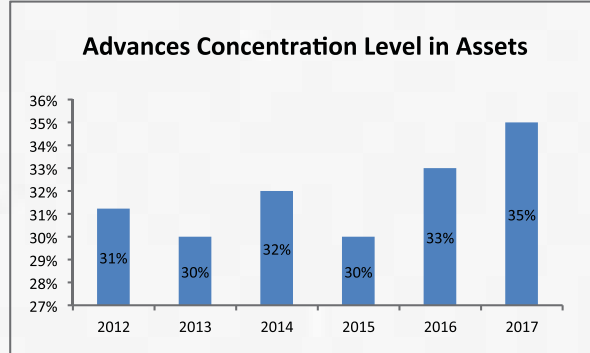
Non Markup income block has shown enormous growth in recent years and the growth rate in past six years is 14%, whereas non-markup expense has grown by an average of 9% which is justifiable on account of growing operational infrastructure and inflationary patterns. One of the key strength of the Bank 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 2017 is primarily on account of Provision made against equity portfolio of the bank based on the volatility observed in the equity market. MCB enjoys one of the highest spreads in the banking industry which are duly reflected in the profitability ratios of the Bank.



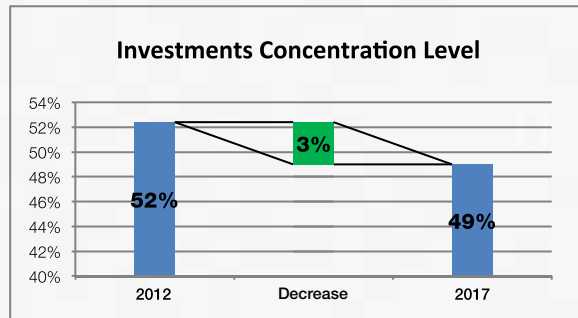
Vertical Analyses

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

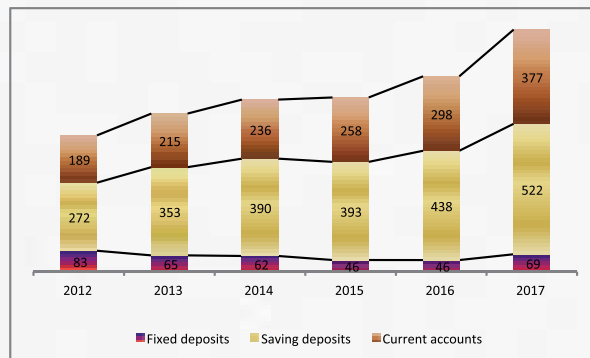
to lack of credit opportunities and intense competition. However, based on the credit uptick in the private sector, the advances base of MCB has increased considerably over the last two years. The concentration level of advances in the total assets stands improved from 31% in 2012 to 35% in 2017.



The IDRs of the banking industry registered a huge spike in the year 2013 -2015 on account of higher yielding longer term bonds being offered. However, based on the call that interest rate cycle has bottomed out, a gradual shift to shorter term securities with increased focus on credit was observed. Resultantly, the concentration levels of investments have decreased from 52% in 2012 to 49% in 2017.



Corresponding to the technological, infrastructural and operational spend by the Bank, the deposit base has increased considerably 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. For the year 2017, CASA base has been over 90% for the entire year, reflecting focus of the management.



Markup income growth has been steady over the last 6 years. The contribution from markup income approximates 80% of the total revenue. Markup expense has increased over the last 6 years, based on regulatory revisions enacted over the period and growth registered in the deposit base. Concentration of Non markup income in total income has increased significantly over the years due to innovative solutions offered to our customers, new products launched, and gain on sale of securities. With the growth in business non markup expense concentration level has also increased from 23% in 2012 to 31% in 2017, which is well within the budgetary limits.

Quarterly Performance - 2017 & 2016

Rs. in Million

	2017				2016			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Profit & Loss Account								
Mark-up earned	18,471	19,537	18,763	17,320	15,388	15,624	18,774	17,614
Mark-up expensed	(7,520)	(8,131)	(8,448)	(7,585)	(5,290)	(5,305)	(6,703)	(6,289)
Net mark-up income	10,951	11,406	10,316	9,735	10,098	10,319	12,071	11,325
Provisions & write off	(2,578)	542	(68)	868	(1,591)	78	142	446
Net mark-up income after provisions	8,373	11,947	10,248	10,603	8,507	10,397	12,213	11,772
Non-mark-up income	4,104	4,178	4,494	5,184	4,316	5,800	3,100	2,958
Non-mark-up expenses	(7,462)	(7,852)	(6,489)	(6,314)	(5,913)	(5,937)	(5,484)	(5,656)
Profit before taxation	5,015	8,273	8,253	9,473	6,910	10,261	9,830	9,074
Taxation	(1,695)	(2,824)	(710)	(3,326)	(2,446)	(3,545)	(5,135)	(3,057)
Profit after taxation	3,320	5,449	7,543	6,147	4,465	6,715	4,694	6,017
Statement of Financial Position								
Assets								
Cash and balances with treasury banks	106,072	95,765	97,451	77,550	74,222	85,001	72,980	59,630
Balances with other banks	4,579	7,466	6,629	4,241	4,344	4,429	3,941	2,073
Lendings to financial institutions	4,398	8,403	5,161	1,640	2,810	868	3,236	1,472
Investments	656,964	682,268	750,092	747,588	555,929	497,162	598,236	622,797
Advances	469,356	440,904	389,643	353,506	348,117	334,411	342,315	301,184
Operating fixed assets	39,574	36,560	34,112	33,336	32,753	29,933	30,123	29,992
Deferred tax assets	-	1,526	-	-	-	-	-	-
Other assets	46,368	36,565	37,922	28,690	33,640	22,688	35,546	24,743
	1,327,311	1,309,458	1,321,010	1,246,551	1,051,814	974,492	1,086,377	1,041,890
Liabilities								
Bills payable	22,681	15,052	12,621	13,721	12,844	9,843	11,203	8,321
Borrowings	133,070	136,512	232,901	227,516	74,515	33,325	139,989	135,995
Deposits and other accounts	968,483	962,500	891,551	818,950	781,430	754,885	755,434	721,930
Sub-ordinated loan	3,893	3,893	-	-	-	-	-	-
Deferred tax liabilities	4,625	-	10,038	11,080	11,260	10,175	12,146	11,728
Other liabilities	40,994	35,011	30,108	32,316	30,138	26,263	26,327	23,615
	1,173,745	1,152,969	1,177,219	1,103,583	910,187	834,492	945,100	901,590
Net assets	153,566	156,489	143,791	142,968	141,627	140,000	141,277	140,301
Represented by:								
Share capital	11,851	11,851	11,130	11,130	11,130	11,130	11,130	11,130
Reserves	70,866	69,808	54,648	53,929	53,347	52,967	52,347	51,837
Unappropriated profit	53,776	56,447	56,270	54,562	53,469	53,029	51,426	51,439
Surplus on revaluation of assets - net of tax	17,073	18,383	21,742	23,346	23,680	22,874	26,374	25,894
	153,566	156,489	143,791	142,968	141,627	140,000	141,277	140,301

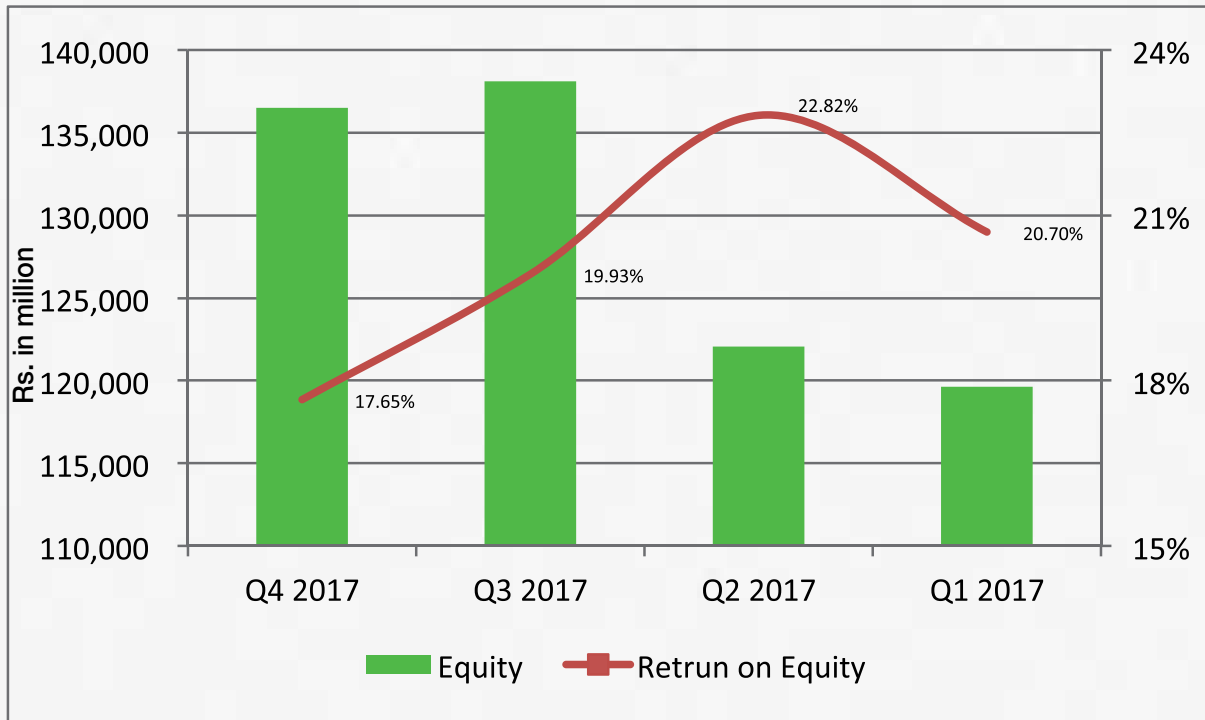
Quarterly Analysis: 2017



During the 1st quarter of 2017, the asset base registered significant growth to close at Rs. 1.246 Trillion (+18%) Increase in assets was mainly contributed by 34% increase in investments (T-Bills +150Bln). The advances base registered an increase of 2% over year end numbers to close at Rs. 354 billion. Deposits depicted a growth of 5% as compared to year end 2016 with current accounts increasing by 7%, maintaining a CASA base of 94%. The Non-Performing Loans base of the Bank was reported at Rs. 21.1 billion at 1st quarter end.

In the 1st quarter, profitability of the bank increased by 4% with an increase of 2% in PAT. Prime contributor to the said increase was realization of capital gains in the first quarter as compared to corresponding period of 2016.

Equity & ROE



Second quarter of the year was exceptional in terms of balance sheet growth. The asset base of the Bank increased to Rs. 1.321 trillion as at June 30, 2017. Growth was contributed by investments and advances-net which grew by 35% and 12% respectively over December 2016. The growth in asset base was fuelled by the impressive growth in the deposit base and was reported at Rs. 892 billion. CASA ratio was maintained at 94%. Non-performing loans slightly increased in 2nd quarter and closed at Rs. 22 billion.

Reversal in credit charge was reported in the second quarter whereas the Bank recorded provision against investments based on capital market volatility. PBT for the 2nd quarter was Rs. 8.2 billion while PBT for the half year was reported at Rs. 17.7 billion. PAT of Rs. 7.5 billion was posted in 2nd quarter due to efficient tax management.



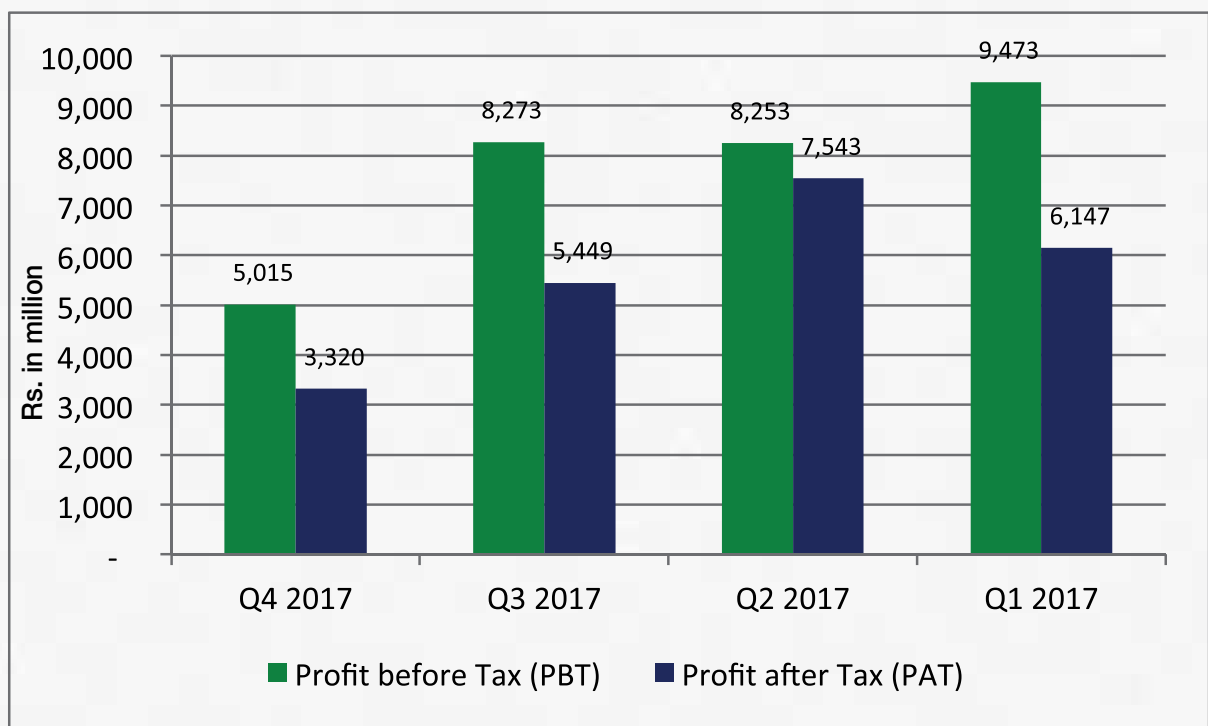
Quarterly Analysis: 2017



At the start of third quarter of 2017, NIB Bank was merged with and into MCB bank Limited as a strategic initiative. After the merger, total assets of the bank rose to Rs. 1.309 trillion posting an increase of 25% over year end 2016. This increase was mainly contributed by 27% increase in advances while investments grew by 23% over year end 2016. Deposits continued with their increasing trajectory in the third quarter and closed at Rs. 962 billion, posting a healthy increase of 23% over year end figure of 2016. CASA base of the bank was reported at 93.45%. The NPL base of the Bank registered significant increase in the third quarter, primarily on account of NPL stock transferred from NIB Bank Limited.

Profit before tax for nine months was reported at Rs. 26 billion with a decrease of 11% over corresponding period last year. For the third quarter, the Bank reported Rs. 8.2 billion profit before tax.

Profitability



Assets of the bank closed at Rs. 1.327 trillion at the end of 4th quarter i.e. December 31, 2017. Growth in assets is contributed by 35% increase in advances while 18% increase in investments over last year. Deposits increased by Rs. 6 billion in 4th quarter. NPLs of the bank were reported at Rs. 49 billion.

In terms of profitability, bank reported Rs. 31 billion profit before tax for the year 2017 with Rs. 5 billion profit before tax in the 4th quarter was posted in 4th quarter of 2017.

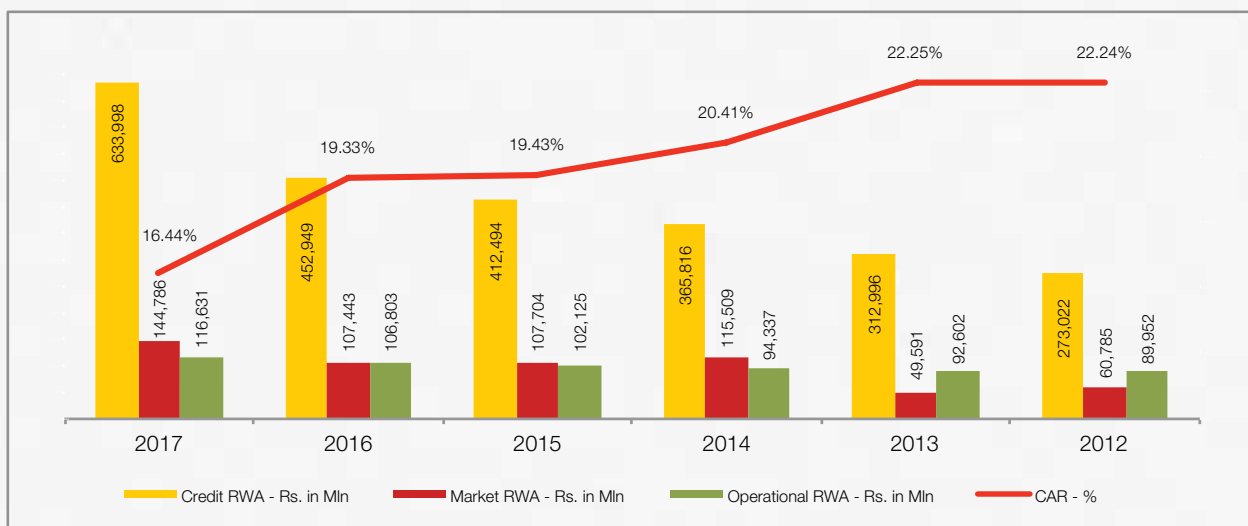


Capital Structure

(Rs. in million)

	2017	2016
Tier 1 Capital		
Shareholders equity /assigned capital	11,851	11,130
Share premium	23,751	9,703
Reserves	45,723	43,477
Unappropriated profits	53,776	53,469
	135,101	117,779
Deductions:		
Book value of intangible and advances given for intangible	553	431
Defined benefit pension fund assets - net	3,115	3,032
Other deductions	2,303	2,318
	5,971	5,780
Total Tier 1 capital	129,130	111,999
Tier 2 Capital		
Qualifying Tier 2 capital instruments	3,114	-
General provisions subject to 1.25% of total risk weighted assets	1,115	760
Revaluation reserves up to 45%	15,071	18,360
Foreign exchange translation reserves	484	167
	19,784	19,287
Deductions:		
Other deductions	1,686	2,318
Total Tier 2 Capital	18,098	16,970
Total Regulatory Capital Base	147,228	128,968
Risk Weighted Assets		
Credit Risk	633,998	452,949
Market Risk	144,786	107,443
Operational Risk	116,631	106,803
Total RWA	895,415	667,195
CAPITAL ADEQUACY RATIO		
Total eligible regulatory capital held	147,228	128,968
Total Risk Weighted Assets	895,415	667,195
Capital Adequacy Ratio	16.44%	19.33%

Capital Adequacy (2012-2017)

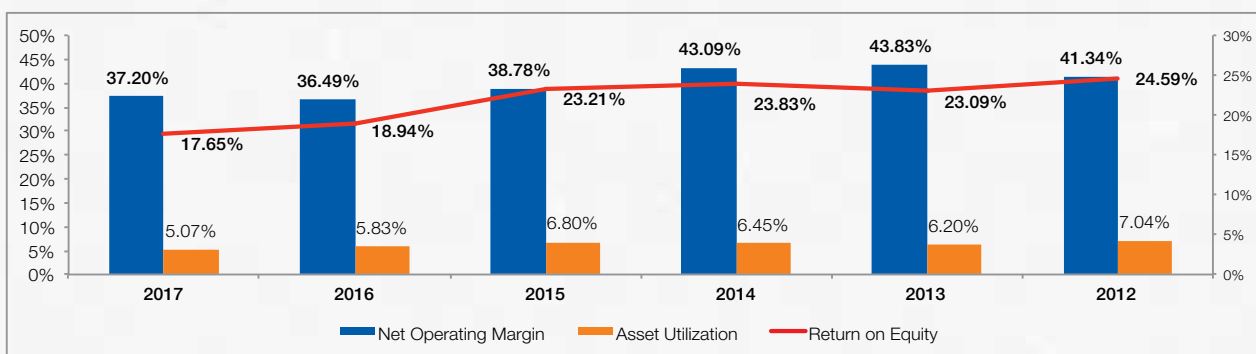


DuPont Analysis

			2017	2016	2015	2014	2013	2012
Net Operating Margin	PAT / Total Income	A	37.20%	36.49%	38.78%	43.09%	43.83%	41.34%
Asset Utilization	Total Income / Average Assets	B	5.07%	5.83%	6.80%	6.45%	6.20%	7.04%
Return on Assets		C = A x B	1.89%	2.13%	2.63%	2.78%	2.72%	2.91%
Leverage Ratio / Equity Multiplier	Average Assets / Average Equity	D	9.35	8.90	8.81	8.57	8.50	8.45
Return on Equity		C X D	17.65%	18.94%	23.21%	23.83%	23.09%	24.59%

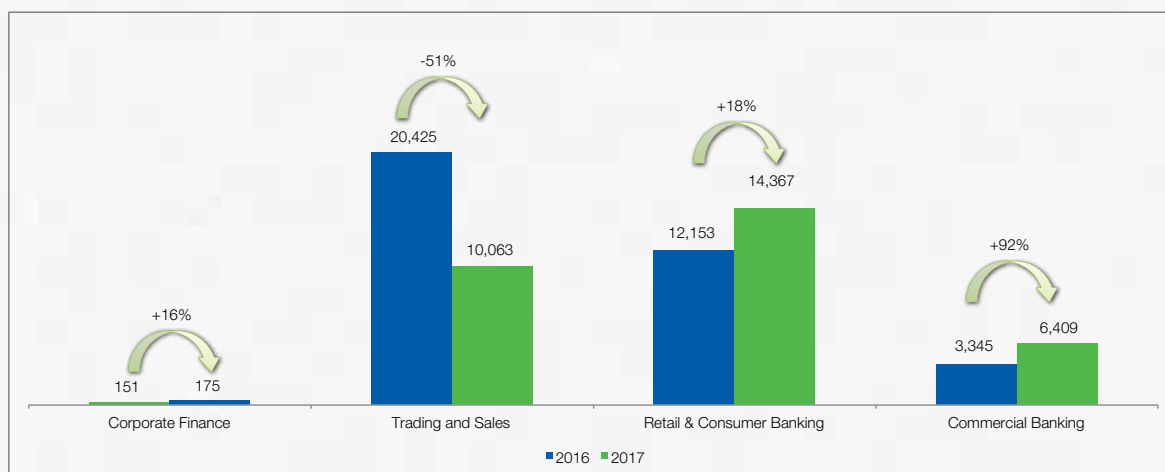
Following are the main DuPont analysis highlights:

- 1) Net operating margin measure in term of profit margins showing increasing trend since 2012 due to improved nonmarkup 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 2012 due to higher profits and decreased in 2017 due to decrease in profit.



Segment Analysis

	2017	2016	Var	%
Corporate Finance	175	151	24	16%
Trading and Sales	10,063	20,425	(10,362)	-51%
Retail & Consumer Banking	14,367	12,153	2,214	18%
Commercial Banking	6,409	3,345	3,064	92%
	31,014	36,075	(5,060)	-14%



*Detailed segment analysis required to be disclosed under BSD circular # 4 of 2006 is disclosed in note 40 of the Financial Statements.

Statement of Charity & Donation

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

	2017	2016
	(Rupees in '000)	
CHARITY FUND		
Opening balance as on January 01	10,580	2,505
Additions during the year		
Received from customers on delayed payments	7,406	6,002
Dividend purification amount	592	4,608
Profit on charity saving account	135	65
	8,133	10,675
Charity paid during the year / period	(13,200)	(2,600)
Closing balance as at December 31	5,513	10,580
Detail of charity made during the year is as follows:		
Aziz Jehan Begum Trust for the Blind	1,000	400
Care Foundation Pakistan	1,000	-
Chiniot Anjuman Islamia	1,000	-
Family Welfare Society	1,000	-
Fast – NU Chiniot – Faisalabad Campus	1,000	-
Fatmid Foundation	1,000	-
Infaq Memorial Trust	1,000	-
M/s Qureshi Nazir Education Trust	1,000	1,000
Mind Organization	1,000	400
Rising Sun Education & Welfare Society	1,000	400
SADA Welfare Foundation	1,000	-
Sindh Institute of Urology & Transplantation (SIUT)	1,000	400
The Citizens Foundation	700	-
Pakistan Student Loan Scheme (Endowment fund)	500	-
	13,200	2,600

Detail of donation by the MCB Bank is given below

	2017	2016
	(Rupees in '000)	
Saleem Memorial Trust Hospital	5,000	-
SKMC Hospital & Research Center	1,500	1,376
Diabetic Association of Pakistan	1,000	-
The Indus Hospital	1,000	-
FRESH Foundation	767	-
Murshid Hospital & Charity Hospital Care Center	500	-
Rising Sun Education & Welfare Society	500	-
The Citizens Foundation	500	-
Pink Ribbon Hospital	500	1,484
Pakistan Association of the Blind	500	-
Children's Hospital Lahore	-	5,000
Govt Hospital Gwadar	-	1,000
Sri-Lanka Pakistan Friendship Association for rehabilitation of flood victims	-	715
The Institute of Chartered Accountants of Pakistan	-	2,000
Old Ravians Association Lahore	-	300
LUMS Entrepreneurial Society	-	300
Lahore Businessmen Association for Rehabilitation of the Disabled	-	400
Kinnaird Entrepreneurial Club	-	125
Donations individually not exceeding Rs.0.1 million	50	-
	11,817	12,700

Market Statistics of MCB's Share

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

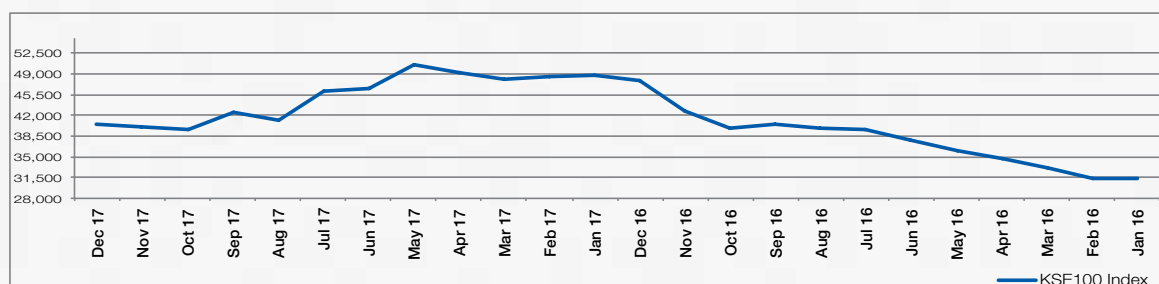
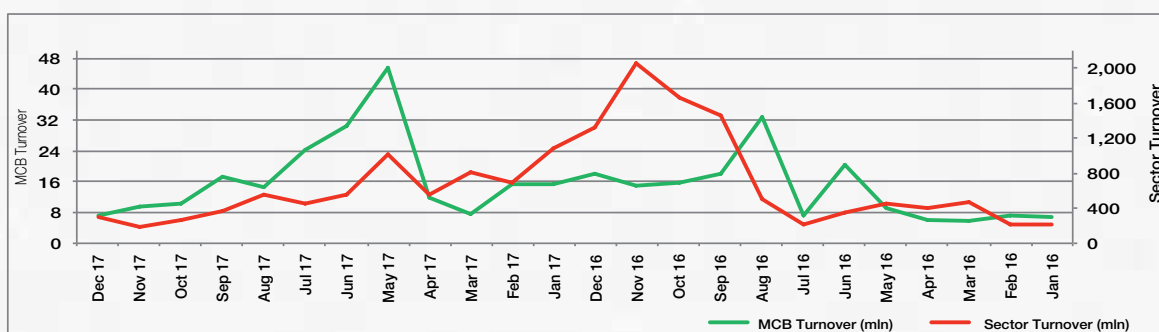
2017

December 31, 2017	215.90	193.50	212.32	385,019	32.49%	11,851	251,612
September 30, 2017	219.00	188.21	209.00	384,030	32.41%	11,851	247,678
June 30, 2017	267.00	197.00	210.43	378,705	34.02%	11,130	234,215
March 31, 2017	258.50	220.00	227.40	378,163	33.98%	11,130	253,103

2016

December 31, 2016	240.42	213.43	237.82	398,081	35.77%	11,130	264,701
September 30, 2016	230.28	206.99	220.80	398,820	35.83%	11,130	245,757
June 30, 2016	244.82	198.71	220.02	412,789	37.08%	11,130	244,889
March 31, 2016	217.37	190.20	201.00	413,077	37.11%	11,130	223,719

Dividend and Bonus	2017		2016	
	Mln	%	Mln	%
Final cash dividend	4,740	40	4,452	40
3rd interim dividend	4,740	40	4,452	40
2nd interim dividend	4,740	40	4,452	40
1st interim dividend	4,452	40	4,452	40



Share Price Sensitivity Analysis

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

Discount rate / Monetary Policy

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

Minimum Rate of Return on Deposits/Regulatory Risk

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

Inflation

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

Political Stability & Law and order situation

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

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.

MCB Calendar

Calendar of Major Events	
Incorporation	1947
Nationalisation	1974
Investment in First Women Bank	1989
Privatisation	1991
Incorporation of MCB Financial Services Limited	1992
Incorporation of MNET Services (Private) Limited	2001
Investment in Adamjee Insurance Company Limited	2004
Incorporation of MCB Trade Services Limited	2005
Incorporation of MCB Asset Management Company Limited	2005
Change of name from Muslim Commercial Bank Limited	2005
Issuance and Listing of Global Depository Receipts on London Stock Exchange	2006
Strategic acquisition by Maybank	2008
Incorporation of MCB Leasing Closed Joint Stock Company	2009
Investment in Euronet Pakistan (Private) Limited	2011
Amalgamation of MCB Asset Management Company with Arif Habib Investment Limited	2011
Incorporation of MCB Islamic Banking Limited - a subsidiary company	2014
Merger of NIB Bank with and into MCB Bank Limited	2017
Financial Calendar	
2017	
1st Quarter Results issued on	April 26, 2017
2nd Quarter Results issued on	August 25, 2017
3rd Quarter Results issued on	October 25, 2017
Annual Results issued on	February 15, 2018
70th Annual General Meeting Scheduled on	March 27, 2018
2016	
1st Quarter Results issued on	April 19, 2016
2nd Quarter Results issued on	August 10, 2016
3rd Quarter Results issued on	October 26, 2016
Annual Results issued on	February 08, 2017
69th Annual General Meeting held on	March 29, 2017
2015	
1st Quarter Results issued on	April 28, 2015
2nd Quarter Results issued on	August 11, 2015
3rd Quarter Results issued on	October 20, 2015
Annual Results issued on	February 09, 2016
68th Annual General Meeting held on	March 29, 2016
2014	
1st Quarter Results issued on	April 22, 2014
2nd Quarter Results issued on	August 12, 2014
3rd Quarter Results issued on	October 21, 2014
Annual Results issued on	February 12, 2015
67th Annual General Meeting held on	March 27, 2015
2013	
1st Quarter Results issued on	April 29, 2013
2nd Quarter Results issued on	August 16, 2013
3rd Quarter Results issued on	October 24, 2013
Annual Results issued on	February 11, 2014
66th Annual General Meeting held on	March 27, 2014
2012	
1st Quarter Results issued on	April 24, 2012
2nd Quarter Results issued on	August 7, 2012
3rd Quarter Results issued on	October 17, 2012
Annual Results issued on	February 7, 2013
65th Annual General Meeting held on	March 26, 2013

Issues Raised in the Last Annual General Meeting (AGM)

No significant issue was raised in the last AGM. However, shareholders sought general clarifications during the 69th Annual General Meeting of the Bank held on March 29, 2017:

The Company Secretary, while responding to the queries of the Shareholders, stated that Annual Audited Accounts-2016 had been placed on official website of the Bank; however, a shareholder might also request to the Bank to provide hard copy of Annual Audited Accounts-2016 instead of DVD and the same would be provided accordingly. In this regard, a 'Standard Request Form' containing postal and email address of the Company Secretary/Share Registrar and Transfer Agent of the Bank had also been placed on website of the Bank for shareholders to communicate the need of hard copies of the Annual Audited Accounts instead of sending the same through CD/DVD/USB. Further, a shareholder might also prefer to receive hard copies for all future Annual Audited Accounts, he added. He further stated that the hard copy of Annual Audited Accounts-2016 had been placed at the Meeting for consideration and adoption by the Members.

While responding to the queries of the Shareholders, the President stated that the financial results of the Bank reported a decrease of 14.77% primarily on the back of maturity of high yielding bonds and full year impact of 300bps downward movement in interest rates in 2015. He further added that in 2016, interest rate has moved further down by 25 bps. Apart from that, the Bank continued with its strong performance on account of low cost deposits base, significant uptick in advances, controlled operating expenditure and significant contribution from non-markup income. He mentioned that despite compression in interest rate spreads coupled with significant maturities in high yielding government bonds, the Bank reported good profits and provided highest dividend payout in banking industry to its Shareholders.

The President also stated that Pakistan Credit Rating Agency ("PACRA") through its notification dated June 24, 2016, had maintained Bank's long term credit rating of AAA (Triple A) and short-term credit rating of A1+ (A one plus). He mentioned that the Bank remained a well-capitalized institution with a capital base well above the regulatory limits and Basel Capital requirements. While complying with the regulatory capital requirements, the Bank had the highest cash dividend per share in the industry with regular interim dividends and remains one of the prime stocks traded in the Pakistani equity markets. He further stated that Bank's total Capital Adequacy Ratio was 19.33% against the requirement of 10.65% (including capital conservation buffer of 0.65%). He then apprised that quality of the capital was evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 16.79% against the requirement of 6.00%. Bank's well capitalization also resulted in a leverage ratio of 8.59% which was well above the regulatory limit of 3.0%, he added.

Profile of Shari'ah Advisor Board MCB Islamic Banking Group

PROF. MUFTI MUNIB-UR-REHMAN | CHAIRMAN SHARI'AH BOARD

Prof. Mufti Munib-ur-Rehman, working with MCB Islamic Bank since September 2015, is a renowned Shari'ah scholar with a vast 46 years' teaching and 31 years' Fatawas issuance experience. He is the member Shari'ah Advisory Board of Securities and Exchange Commission of Pakistan (SECP), and the Chairman, Central Moon Sighting Committee Pakistan, prior to this he was a member of Islamic Ideology Council, Pakistan and Director of Islamic Studies, Hong Kong.

MUFTI SYED SABIR HUSSAIN | RESIDENT SHARI'AH BOARD MEMBER/ HEAD-SHARI'AH COMPLIANCE DEPARTMENT

Mufti Syed Sabir Hussain, working with MCB Islamic Bank Ltd. since September 2015, is a prominent Shari'ah Scholar and experienced Islamic Banker with 17 years of teaching, 13 years of Fatawas and Islamic banking experience. He holds Shahadat-Al-Alimiyah & Takhassus-Fil-Fiqh, M.A Islamic Studies, and M.Phil. in Islamic Banking & Finance and M.S (I.T) degrees.

He is ex-member of Shari'ah Advisory Board of SECP, Member of the Committee on Accounting and Auditing Standards of ICAP and invitee participant of Shari'ah Board of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. Further, he is member of review committee for Urdu translation of AAOIFI Shari'ah standards. He is author of 15 books on Islamic economics & banking and other social issues; He is also delivering lectures in different Dar-ul-Ulooms and Universities.

MUFTI MAHMOOD AHMAD | SHARI'AH BOARD MEMBER

Mufti Mahmood Ahmad is the Shari'ah Board member of MCB Islamic Bank Ltd., and Allied Bank Ltd., (Islamic Banking). He graduated as a Scholar in Shahadat-ul-Aalamiah (Master in Arabic and Islamic studies) from Wifaq-ul-Madaris Al-Arabia (1996), and Master in Arabic from Punjab University, Lahore. He also has done Master of Philosophy (M.Phil.) in Islamic banking and finance from University of Management and Technology (UMT), Takhassus-fi-Al-Funoon from Jamia Khair-ul-madaris, Multan and Takhassus-fi-Al-Ifa (in Islamic Fiqh and fatwa) from Jamia Dar-ul-Uloom, Karachi. He is currently enrolled in PhD program of UMT in Islamic Banking and Finance. He has 18 years' teaching and Fatawa issuance experience, and 8 years' experience as a Shari'ah consultant with Ghani Global Group and some other Islamic financial institutions.

He is a Lecturer of Tafsir, Hadith, and Fiqh in world-renowned Islamic university Al-Jamia Al-Ashrafia Lahore since August 2005 and a Mufti (Trainer/Consultant) in Al-Jamia Al-Ashrafia also since August 2005. Fatawas issued by him are published in the book of Ashraf-ul-Fataawa (2 volumes) published by the management of Jamia Ashrafia Lahore. He also serves as a lecturer on different subjects of Shari'ah & Islamic Finance. He is a visiting faculty member at the College of accountancy and finance, University of Lahore and delivers lectures on subjects of Islamic commercial laws and Takaful. He also delivers Friday khutbah and leads Friday prayer at a Jamia Mosque for about 17 years. His areas of working have been Tafsir Quran, Hadith, religious education, Islamic jurisprudence, Islamic law, Islamic banking and Takaful.

He presented academic papers at different conferences such as the Muslim World League' conference. He has also contributed by getting published his 8-volume based edited compilation of Mufti Taqi Usmani's writings on Islamic economics and finance, titled (Islam aur Jadid Ma'ashi Masail) published by Idara-e-Islamiaat Lahore. He is also a writer of many articles on different Shari'ah related issues and topics.

Report of Shari'ah Board

(For the year ended December 31, 2017)
In the name of Allah, the Beneficent, the Merciful

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ وَالصَّلَاةُ وَالسَّلَامُ عَلَى سَيِّدِ 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 Prof. Mufti Munib-ur-Rehman as Chairman Shari'ah Board, Mufti Syed Sabir Hussain as Resident Shari'ah Board Member (RSBM) and Mufti Mahmood Ahmad as Member Shari'ah Board. In the year 2017 Shari'ah Board meetings were held on the following dates:

First Shari'ah Board Meeting	–	February 15, 2017
Second Shari'ah Board Meeting	–	April 26, 2017
Third Shari'ah Board Meeting	–	July 31, 2017
Fourth Shari'ah Board Meeting	–	October 10, 2017

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of MIB are conducted in a manner that comply with Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of MIB.
2. To form our opinion as expressed in this report, the Shari'ah Compliance Department (SCD) of MIB carried out reviews of each types of transactions, products, process flows/modus operandi and concepts. In this regard, all 66 branches have been inspected for Shari'ah as per Shari'ah Compliance program. Further, Pool Management System (PMS) and treasury transactions were also reviewed as per required frequency and major highlighted system related matters have been rectified as per guidance of SCD. In order to enhance the Islamic banking knowledge and expertise in general as well as product wise especially in Islamic Micro Finance and SME businesses, were made mandatory for all staff of the Bank with the coordination of Learning & Development Department of HRG.
3. The Shari'ah Board of the MIB has issued Four (4) Instructions & Guidelines & Two (2) Fatawa during the period.
4. SCD with the coordination of management has reviewed the existing legal documents of financing products namely Islamic Micro Finance on Murabaha basis, Consumer Car Finance and House Finance on Diminishing Musharakah, Consumer Car Finance on Ijarah basis, Musharakah Running Finance, Musharakah Export Finance, Murabaha Financing, Diminishing Musharakah of corporate and commercial business.
5. SCD has also facilitated Islamic Banking training sessions the front and back offices staff of MIB. Further, SCD has taken initiative to establish an effective and comprehensive Islamic Banking training mechanism for all business centers, Branch Managers/ Branch Operation Managers. Internal trainers were also part of Shari'ah related training initiatives during the year.
6. Shari'ah Board praises and encourages the effort of Management regarding implementation of proper dress code in all branches and permission of branches' staff to wear Shalwar & Qameez on Friday. It is also hoped that same will be approved for Back offices' staff.

Recommendations:

Based on the observations made through Shari'ah review, report and Shari'ah Compliance checks, it is recommended that:

- i. In future, there shall be more Shari'ah Trainings for front and back office staff with emphasis on specialize products training sessions;

- ii. Newly inducted staff shall be trained on Islamic Banking and Islamic Banking Products before confirmation;
- iii. As pool management is very sensitive by its nature, therefore, it shall be more automated to avoid any human error.
- iv. All back offices who are involve on execution of the transactions are advised to use standard documents approved by Shari'ah Board and should bear intial on each page.

Conclusion:

Shari'ah Board has reviewed & advised corrective measures on the report of 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 directives, regulations, instructions and guidelines related to Shari'ah compliance issued by SBP in accordance with the rulings of SBP's Shari'ah Board.
- iii. MIB has a comprehensive mechanism in place to ensure Shari'ah Compliance in their overall operations.
- iv. During the course of Shari'ah compliance of the transactions, it was realized that the amount of Charity collection during the year was PKR 8.133 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.
- v. MIB has complied with the SBP instructions on profit and loss distribution and pool management.
- vi. While the Bank is actively pursuing training of its human resources about various aspects of Islamic Banking & Finance through training sessions/seminars, however further improvement is required in the level of awareness of Islamic Banking & Finance of the staff, management and the BOD through enhanced training mechanism for each level. The management and the BOD has made sincere efforts and appreciates the importance of Shari'ah compliance in overall operations of MIB.
- vii. The Shari'ah Board has been provided adequate resources enabling it to discharge its duties effectively.

Shari'ah Board would like to take this opportunity to offer praise to Almighty ALLAH and seek his guidance and Tauwfeeq, and to express its wishes for further progress, development and prosperity of Islamic Banking, Alhamdulillah under the sincere efforts of senior management, and Islamic Banking industry in Pakistan as a whole.

وَاللَّهُ سُبْحَانَهُ وَتَعَالَىٰ أَعْلَمُ



Professor Mufti Munib-ur-Rehman
Chairman Shari'ah Board



Mufti Syed Sabir Hussain
Resident Shari'ah Board Member



Mufti Mahmood Ahmad
Member Shari'ah Board

Date of Report: January 24, 2018.

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ
الْحَمْدُ لِلّٰهِ رَبِّ الْعَالَمِیْنَ وَالصَّلَاةُ وَالسَّلَامُ عَلٰی سَیِّدِ الْاَنْبِیَاءِ وَالْمُرْسَلِیْنَ وَعَلٰی اٰلِهِ وَصَحْبِهِ اَجْمَعِیْنَ اَمَّا بَعْدُ

مجلس امور شریعہ کی رپورٹ

(مالی سال اختتام پذیر ۳۱ دسمبر ۲۰۱۷ء)

ایم سی بی اسلامک بینک (ایم آئی بی) کا شریعہ بورڈ ستمبر ۲۰۱۵ء کو تشکیل پایا، موجودہ شریعہ بورڈ پروفیسر مفتی نبیب الرحمن چیئرمین شریعہ بورڈ، مفتی سید صابر حسین ریزیڈنٹ شریعہ بورڈ ممبر اور مفتی محمود احمد ممبر شریعہ بورڈ پر مشتمل ہے۔ ۲۰۱۷ء میں شریعہ بورڈ کے اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

شریعیہ بورڈ کا پہلا اجلاس، ۱۵ فروری ۲۰۱۷ء
شریعیہ بورڈ کا دوسرا اجلاس، ۱۲۶ اپریل ۲۰۱۷ء
شریعیہ بورڈ کا تیسرا اجلاس، ۳۱ جولائی ۲۰۱۷ء
شریعیہ بورڈ کا چوتھا اجلاس، ۱۰ اکتوبر ۲۰۱۷ء

1. بورڈ آف ڈائریکٹرز اور ایگزیکٹو منتظمین اس امر کے ذمہ دار ہیں کہ ایم آئی بی کے جملہ معاملات شریعت کے اصولوں کے عین مطابق ہوں، لہذا ہم (شریعیہ بورڈ) ایم آئی بی کے شریعیہ کمپلائنس کی صورت حال کے بارے میں ایک رپورٹ جمع کرانے کے ذمہ دار ہیں۔
2. اس رپورٹ میں اظہار کے طور پر عرض یہ ہے کہ ایم آئی بی کے شریعیہ کمپلائنس ڈیپارٹمنٹ نے تمام قسم کے مالی معاملات، پروڈکٹس، معاملات کے مراحل اور نظریات کا جائزہ لیا ہے۔ اس حوالے سے شریعیہ کمپلائنس پروگرام کے بینک کی تمام 66 برانچز کا شرعی جائزہ لیا گیا۔ مزید برآں پول پیئمنٹ سسٹم اور ٹریڈری کے معاملات کو بھی مطلوبہ معیار کے مطابق دیکھا گیا، لہذا شریعیہ کمپلائنس ڈیپارٹمنٹ کی رہنمائی میں سسٹم سے متعلقہ اہم مسائل کی تصحیح کردی گئی ہے۔ اسلامی بینکاری کے بارے میں علم اور مہارت کو بڑھانے کی غرض سے بالعموم اسلامی بینکاری اور بالخصوص پروڈکٹس، مائیکروفنانس اور ایس ایم ای (SME) کے کاروبار کی تربیت ہیومن ریسورس ڈیپارٹمنٹ کے تعاون سے تمام اسٹاف کے لئے لازم ہے۔
3. ایم آئی بی کے شریعیہ بورڈ نے اس دوران چار ہدایات والا عمل اور فتاویٰ جات جاری کئے ہیں۔
4. شریعیہ کمپلائنس ڈیپارٹمنٹ نے بینک کی انتظامیہ کے تعاون سے موجودہ قانونی دستاویزات بنام مراہجہ کی بنیاد پر اسلامی مائیکروفنانس، اجارہ پر مبنی کنزیومرفنانس، جاری مشارکہ فنانس، برآمداتی مشارکہ فنانس، مراہجہ فنانس، کارپوریٹ اور کمرشل کاروبار کے لئے شرکت متناقصہ پر نظر ثانی کی۔
5. شریعیہ کمپلائنس ڈیپارٹمنٹ نے بینک کے فرنٹ آفس اور بیک آفس اسٹاف کے لئے اسلامی بینکاری کی ٹریننگ کے کئی پروگرامز منعقد کئے ہیں۔ مزید برآں شریعیہ کمپلائنس ڈیپارٹمنٹ نے کاروباری معاملات انجام دینے والے اسٹاف، برانچ مینجرز، آپریشن مینیجرز، ایگزیکٹو منتظمین اور بورڈ آف ڈائریکٹرز کی ٹریننگ کے سلسلے میں ایک پراثر اور جامع پروگرام ترتیب دیا ہے۔ علاوہ ازیں اس سال سے شریعیہ سے متعلقہ تربیت کے لئے بینک کے اسٹاف کی خدمات لینے کا بھی آغاز کیا گیا۔
6. شریعیہ بورڈ نے بینک کی تمام برانچز میں جمعۃ المبارک کے دن شلواری قمیض پہننے کی اجازت دینے پر انتظامیہ کے اس عمل کو سراہا اور اس کی حوصلہ افزائی کی اور اس امید کا اظہار کیا کہ یہی اجازت بیک آفس اسٹاف کو بھی دی جائے گی۔

سفارشات:

- شرعی جائزہ کے دوران آنے والے تحفظات، جاری رپورٹ اور شریعہ کمپلائنس کی بنیاد پر درج ذیل سفارشات پیش کی جاتی ہیں:
- i. مستقبل میں فرنٹ آفس اور بیک آفس اسٹاف کے لئے شریعہ کی تربیت میں مزید اضافہ کیا جائے، خاص طور پر پروڈکٹ سے متعلق تربیت پر توجہ دی جائے۔
 - ii. نئے شامل کئے جانے والے اسٹاف کے باقاعدہ تقریر سے پہلے ان کی اسلامی بینکاری اور اس کی پروڈکٹس کی تربیت ضروری کی جائے۔
 - iii. جیسا کہ پولیٹیکنٹ اپنی فطرت کے اعتبار سے انتہائی حساس شعبہ ہے، لہذا کسی بھی انسانی غلطی سے محفوظ رہنے کی غرض سے اسے مزید خود کار بنایا جائے۔
 - iv. بیک آفس کے وہ تمام اسٹاف، جو کاروباری معاملات کی انجام دہی پر معمور ہیں، کو ہدایت دی جاتی ہے کہ وہ شریعہ بورڈ سے منظور شدہ دستاویزات جس کے ہر صفحے پر دستخط موجود ہوں، استعمال کرے۔

خلاصہ:

- شریعی بورڈ نے انٹرنل شریعہ آڈٹ اور شریعہ کمپلائنس کی رپورٹس کو دیکھنے کے بعد اصلاحی اقدامات کے لئے ہدایات دیں، لہذا شریعہ بورڈ کے مطابق:
- i. ایم آئی بی نے شریعہ بورڈ کے جاری کردہ فتاویٰ جات اور ہدایات ولائحہ عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔
 - ii. ایم آئی بی، اسٹیٹ بینک آف پاکستان کے احکامات، قوانین و ہدایات اور لائحہ عمل (جو اسٹیٹ بینک آف پاکستان کے شریعہ بورڈ کے احکام کے مطابق ہیں) سے ہم آہنگ ہے۔
 - iii. شریعہ کمپلائنس کو یقینی بنانے کے لئے ایم آئی بی کے پاس ایک جامع طریقہ کار موجود ہے۔
 - iv. مالی معاملات کے شریعہ کمپلائنس کے دوران یہ معلوم ہوا کہ ایم آئی بی نے مختلف مدت سے 8.133 ملین کی چیریٹی حاصل کی، جسے چیریٹی اکاؤنٹ میں ڈال دیا گیا ہے۔ علاوہ ازیں بینک نے ایم آئی بی کی چیریٹی پالیسی اور اسٹیٹ بینک آف پاکستان کے اصولوں کے مطابق شریعہ بورڈ سے منظور شدہ مختلف خیراتی اداروں کو چیریٹی اکاؤنٹ سے رقم ادا کی۔
 - v. ایم آئی بی کے نفع و نقصان کی تقسیم اور پول کی انتظام کاری اسٹیٹ بینک آف پاکستان کی ہدایات کے عین مطابق ہے۔
 - vi. اگرچہ بینک فعال طریقے سے اپنے افراد کار کو اسلامی بینکاری اور مالیاتی نظام کے بارے میں تربیت دے رہا ہے، تاہم افراد کار، انتظامیہ اور بورڈ آف ڈائریکٹرز میں آگہی پیدا کرنے کی غرض سے اسلامی بینکاری کی تربیت میں مزید اضافے کی ضرورت ہے۔ انتظامیہ اور بورڈ آف ڈائریکٹرز نے اخلاص پر مبنی کوششیں کی ہیں اور انہوں نے ایم آئی بی میں شریعہ کمپلائنس کی اہمیت کو تسلیم کیا ہے۔
 - vii. شریعہ بورڈ کو اپنی ذمہ داریوں سے عہدہ برآں ہونے کے لئے خاطر خواہ وسائل فراہم کئے گئے ہیں۔
- شریعی بورڈ اللہ تعالیٰ کی بارگاہ میں اُس کی تعریف پیش کرنے اور اُس سے ہدایت اور توفیق کا خواہاں ہے اور سینئر منتظمین اور اسلامی بینکاری انڈسٹری کی مخلصانہ کوششوں سے انشاء اللہ اسلامی بینکاری نظام کی مزید پیشرفت، ترقی اور خوشحالی کا متنتی ہے۔

وَاللّٰهُ سُبْحٰنَهُ وَتَعَالٰی اَعْلَمُ

پروفیسر مفتی منیب الرحمن

چیئر مین شریعہ بورڈ

مفتی سید صابر حسین

ریزیڈنٹ شریعہ بورڈ ممبر

مفتی محمود احمد

شریعی بورڈ ممبر

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, CRO functionally reports to the "Risk Management & Portfolio Review Committee" (RM&PRC) which is a sub-committee of the BOD.

Risk takers and Risk managers 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 Board of Directors' guidance, the Bank executed 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 State Bank of Pakistan guidelines. A number of policy amendments, to improve the risk management framework, were recommended by RM & PRC and approved by the BoD in 2017. It includes updating of Credit Policies for both domestic & overseas operations and revision of domestic exposure limits by industry and geographic locations.

The RM & PRC 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 loan portfolio which, among others, include asset growth, credit quality, credit concentration, lending business trend and cross sectional analysis. Review of various aspects of Country Risk, Liquidity risk, Market risk covering interest rate risk, foreign exchange risk, equity price risk, along with the stress-testing is also a regular feature. Operational risk assessments and key risk indicators pertaining to processes, people and reputation are also regularly reviewed by the committee. The committee also reviews in detail the Bank's capital levels under Internal Capital Adequacy Assessment Process (ICAAP).

The Management Credit and 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 2017, the Bank continued with the policy to remain selective in disbursing its loan to low risk customers across all the industries & maintains a fairly diversified loan portfolio. Bank's non-performing loans to advances ratio of 9.47% is lower than industry average of over 11%. Risk Review successfully managed to evaluate and approve increased number of loan requests, within required turnaround time, both for local and Overseas Operations including Sri Lanka and UAE. An in-house request tracking & turnaround time monitoring software ensures tracking of proposals and monitoring of turnaround-time in Risk Management.

For risk categorized as sovereign/ government risk, the lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that range from different development related works to utility distribution and production. Many of these government owned corporations operate on profitable self-sustained basis. To manage adverse outcomes in terms of 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 and the processes, bank has in place Probability of Default based Internal Credit Risk Rating (ICRR) system which is based on the statistical modeling and validation in line with Basel principles. The ICRR is currently focused on Corporate and Commercial customer categories. Furthermore; an elementary level 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 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, loss triggers at a detailed portfolio level, and stress testing are used to capture and report the multi-dimensional aspects of market risk.

Bank has actively started participating in derivatives transactions. Overall limit in derivatives is approved by the Board. Counter party limit structure for derivatives transactions is in place and exposures are monitored and reported on continuous basis.

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

The bank is in a process to replace its in-house developed Operational Risk Management Software with more professionally developed software which has enhanced features and a better workflow management. This new software will further augment bank's capacity to capture and report operational risk events and KRIs. The software is also capable for periodical regulatory and management reporting. The Bank has also initiated development of Information Technology Risk Assessment Framework which enables to manage growing area 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 Basel capital requirements. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 16.44% against the requirement of 11.275% (including capital conservation buffer of 1.275%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 14.42% against the requirement of 6%. Bank has ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.50% of the total RWA, to be maintained in the form of Capital Equity Tier 1 by the year end 2019. Bank's well capitalization also resulted in a leverage ratio of 7.67% which is well above the regulatory limit of 3.0%.

Liquidity management and strategy to overcome liquidity position

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

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

Further, in line with SBP's directives, Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios 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.

Risk and Opportunity Report

Risk, being inherent in the banking business, has to be managed through operational design keeping in view the risk and associated reward and to ensure progression of an entity's value. At MCB, a comprehensive Risk Management Framework around an approved risk appetite is in place, mechanisms are defined for every identified risk to ensure that the Bank continuously 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.

Key source of uncertainty

Significant decline in discount rate has its serious implication on profitability of the Bank. 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. 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 of the Bank. 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. Any increase in corporate tax rate (super tax) will adversely impact the profitability of the Bank.

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.

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

Risks:

Risk type	Materiality rating	Source	Strategy
Capital Adequacy Risk	High	The risk that the Bank has insufficient capital or is unable to meet the statutory defined capital requirements.	<p>Measurement: The Bank is a well-capitalized institution with a capital base well above the regulatory limits and Basel-III requirements.</p> <p>Monitoring: The Bank regularly assesses the capital requirements and ensures that the minimum capital requirements specified by the State Bank are adhered to. Internal Capital Adequacy Assessment is a regular activity. Stress levels of major risks are assessed against the minimum capital requirement. Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 14.42% against requirement of 6.00%.</p> <p>Management: 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.</p>
Liquidity Risk	High	The risk that the Bank is unable to meet its financial liabilities as they fall due.	<p>Measurement: MCB regularly performs Liquidity Risk Analysis and liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity risk assessments and stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions.</p> <p>Monitoring: Liquidity positions are regularly monitored through established Early Warning Indicators and Liquidity Risk Analysis on regular basis.</p> <p>Management: MCB's Liquidity Risk Management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.</p> <p>The Bank's large and stable base of customer deposits, along with Bank's strong capital base, indicates strong liquidity position. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio are well over and above the regulatory requirement.</p>
Credit Risk	High	The risk that the Bank will incur losses owing to the failure of a customer or counterparty to meet its obligation to settle outstanding amounts.	<p>Measurement: Credit Risk Management function identifies, measures, manages, monitors and mitigates credit risk. Credit Risk is measured and estimated through detailed financial and non-financial analyses, internal and external credit risk ratings, and customers' behavior analysis.</p> <p>Monitoring: Credit Risk Management organizational structure ensures pre and post-facto management of credit risk. Credit Review function carries out pre-fact evaluation of counterparties & the credit structures and hindsight reviews, the Credit Risk Control (CRC) function performs post-fact monitoring including security documentation and limits monitoring. Business side continuously keeps in touch with customers to have updated information about the clients.</p> <p>Management: Bank has been selective in taking exposure on good quality borrowers across all industry segments. Multiple factors in bank's lending structure provide additional comfort and support in mitigating credit risk. These include quality of eligible collateral, pre-disbursement safety measures, post disbursement monitoring, etc. The Bank continues to maintain lower than average industry level NPL ratios. Bank has a fairly diversified loan portfolio. For risk categorized as sovereign/government risk, MCB's lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that ranges from different development related works to utility distribution and production.</p>

Market Risk	High	The risk arising from fluctuations in interest rates, foreign currency, credit spreads, equity prices, commodity prices and risk related factors such as market volatilities	<p>Measurement: Bank is exposed to market risk through its trading and other activities. A number of metrics like VaR methodologies complemented by sensitivity measures, notional limits, loss triggers at a detailed portfolio level, and extensive stress testing are used to capture and report the multi-dimensional aspects of market risk.</p> <p>Monitoring: A comprehensive structure, ensuring the bank does not exceed its qualitative and quantitative tolerance for market risk, is in place.</p> <p>Management: The bank has followed a conservative and balanced approach towards risk taking in the market risk area. The robust risk management architecture ensures that the exposures remain within the defined risk appetite.</p>
Operational Risk	Medium	The risk of loss resulting from inadequate or failed processes, people, systems or from external events.	<p>Measurement: In accordance with the Operational Risk policy and framework, a database covering losses, control breaches and near misses is being maintained. Major risk events are analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness.</p> <p>Monitoring: Quarterly updates on Operational Risk events are presented to senior management and the Risk Management and Portfolio Review Committee of the Board.</p> <p>Management: The bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk culture in the staff through workshops and on-job awareness. Banks' capacity to capture & report operational risk events and KRIs is being enhanced by implementing more professionally developed Operational Risk Management Software.</p>
Regulatory Risk	Medium	The risk arising from noncompliance with regulatory requirements, regulatory change or regulator expectations	<p>Measurement: Management of regulatory risk entails early identification and effective management of changes in legislative and regulatory requirements that may affect the Bank.</p> <p>Monitoring & Management: The Bank reviews key regulatory developments in order to anticipate changes and their potential impact on its performance.</p>
Country Risk	Low-medium	The risk of material losses arising from significant country specific events.	<p>Measurement: Bank's Country Risk exposure is assessed against bank's cross border trade and treasury activities.</p> <p>Monitoring & Management: Monitoring of risk exposure is a regular activity. Country Exposure Limits both for Trade and Treasury exposures are in place, which broadly capture direct and indirect exposure on sovereigns and foreign domiciled counterparties.</p>

Opportunities:

- Building strategic national/international alliances to contribute towards China Pakistan Economic Corridor (CPEC) execution.
- Strong capital base and high Capital Adequacy Ratio provides the opportunity of exploring International avenues in emerging/developed markets to expand bank's network.
- Developing and launching new deposit products to align & strengthen existing product menu and to capitalize the growing branchless and digital Banking.
- Deepening the consumer market penetration through increased focus on consumer product lending.
- Increasing Bank's advances portfolio with enhanced focus on Agriculture and SME Financing.
- Widening the scope of branch network in potential / untapped areas.
- Exploring the market of derivatives to hedge our valued customers' risk exposures.
- Facilitating non-resident Pakistanis to increase the flow of home remittances.

Directors' Report to the Members

I am pleased to present, on behalf of the Board of Directors, the 70th annual report of MCB Bank Limited (MCB) for the year ended December 31, 2017.

Economy Review

As the year 2017 drew to a close, there were a handful of key trends driving the global economy. Firstly, 2017 saw the Federal Reserve raise interest rates in the United States three times during the year by a total of 75 basis points. The Trump administration also unveiled a tax plan that is expected to spur growth in the United States and bring inflation closer to its target. The Federal Reserve believes it will raise interest rates at least three times in 2018 which could result in a strong dollar and capital flight to the US in search of better yields. This, in turn, could have a profound impact on Emerging Markets.

Secondly, oil prices continued to spike upwards throughout the year with WTI spot starting the year at \$54 a barrel. The supply glut in the oil market continued to ease off after continuation of the output reduction deal between OPEC and non-OPEC countries during 2017. This helped propel WTI crude oil spot prices upwards to end 2017 at \$60. At the same time, however, US production continued to rise and reached closer to 10 million barrels a day by the end of the year.

Additionally, 2017 also saw Britain formally trigger Article 50 of the EU's Lisbon Treaty for Britain to commence exit from the EU in a maximum period of two years. Britain and the EU remained deadlocked in talks to discuss terms and conditions of the agreement particularly on issues related to immigration, trade, law and security. No clarity on the contents of the final agreement has so far been reached.

Furthermore, growth in the Eurozone improved in 2017 as the ECB reduced the size of its monthly asset purchases even though the QE program was extended by a further nine months. Going forward, ECB officials have indicated their willingness to reduce stimulus further and to communicate a definite end-date for asset purchases. There are also growing expectations of a rate hike perhaps towards the end of 2018 especially as inflation is inching closer to its target of 2%.

Meanwhile in Pakistan, the economy remained mixed in 2017. After recording growth of 4.7% in FY 2016, the nominal GDP grew at 5.3% in FY 2017 (a decade high) and is projected to increase further by 5.6% in FY 2018. MCB Purchasing

Managers Index (MCB PMI) also confirmed this trend as it stood at 68.14 by end-2017, showing a continuation of growth. At present, the manufacturing sector appears to be growing at a healthy pace, with Large-Scale Manufacturing (LSM) increasing on a year-on-year basis by 5.55% in the Jul – Dec FY 2018 period, according to Pakistan Bureau of Statistics. However, despite the positives, Pakistan's trade deficit widened further as imports increased at a faster pace than exports. Pakistan's exports have increased by 11.0% YoY from Jul – Dec FY 2018 while imports have increased by 19.0% YoY during the same period. In addition, workers' remittances stood at \$9.7 billion from Jul – Dec FY 2018, registering a modest increase of 2.5% on a year-on-year basis. Therefore, a wider trade deficit put pressure on Pakistan's current account, with the cumulative deficit recorded at \$7.4 billion during Jul – Dec FY18, nearly twice as much as in the same period last year.

The pressure in the external account directly affected the USD/PKR which after remaining relatively stable the year before, experienced two rounds of depreciation. The first round which took place in July 2017 saw the USD/ PKR rise from Rs. 104.90 levels to Rs. 108.25. However, the parity later settled to around Rs. 105.40. The second round was witnessed in December 2017, with the USD/ PKR depreciating further by 4.6% to end the year at Rs. 110.50. Pakistan's foreign exchange reserves deteriorated in 2017, with SBP reserves declining from \$18.3 billion to \$14.1 billion by December 2017. This was despite an inflow of \$2.5 billion from the issuance of euro-bonds and sukuks in December 2017. Pakistan's total foreign exchange reserves stood at \$20.1 billion by the end of the year.

The State Bank of Pakistan kept an accommodative monetary policy stance during the year with the policy rate stable at 5.75%. However, year-on-year CPI Inflation inched up from 3.7% in January 2017 to 4.6% by December 2017. Core inflation remained relatively stable at 5.40%.

Directors' Report to the Members

Profit and Appropriation

The profit before and after taxation for the year ended December 31, 2017 together with appropriations is as under:

	Rs. in Million
Profit before taxation	31,014
Taxation	8,555
Profit after taxation	22,459
Un-appropriated Profit Brought Forward	53,469
Re-measurement of defined benefit plans - net of tax	(1,575)
Transferred from Surplus on Revaluation of Fixed Assets - net of tax	53
	51,947
Profit Available for Appropriation	74,406
Appropriations:	
Transferred to Statutory Reserve	2,246
Final cash dividend at Rs. 4.0 per share - December 31, 2016	4,452
Interim cash dividend at Rs. 4.0 per share - March 31, 2017	4,452
Interim cash dividend at Rs. 4.0 per share - June 30, 2017	4,740
Interim cash dividend at Rs. 4.0 per share - September 30, 2017	4,740
Total Appropriations	20,630
Un-appropriated Profit Carried Forward	53,776

Dividends

The Board of Directors declared a final cash dividend of Rs. 4 per share for the year ended December 31, 2017, which is in addition to Rs. 12.0 per share interim dividends already paid to shareholders, taking the dividend payout ratio to 83.14%. The effect of the recommendation is not reflected in the above appropriations.

Performance Review

MCB Bank Limited reported Profit Before Tax (PBT) of Rs. 31.01 billion and Profit After Tax (PAT) of Rs. 22.46 billion. In comparison with the last year, Profit Before Tax has decreased by 14.03% whereas Profit After Tax has increased by 2.59% on account of reversal of prior year tax charges. Net markup income of the Bank was reported at Rs. 42.41 billion, down by 3.21% over last year owing to the maturity of high yielding bonds and comparative low-interest rate environment. On the gross markup income side, the Bank reported an increase of Rs. 6.69 billion whereas on the interest expense side, the Bank registered an increase of Rs. 8.09 billion over last year. To supplement its net interest margins, the Bank remained focused on increasing its low-cost deposit base and venture in higher-yielding assets.

On the non-markup income front, the Bank reported a base of Rs. 17.96 billion with the growth of 11% over last

year despite significant capital market volatility in the later half of the year. Major contributions to non-markup income growth were operational in nature with fees & commissions increasing by 22.44% YoY and income from dealing in foreign currencies increasing by 42.93% YoY.

The administrative expense base (excluding pension fund reversal) recorded an increase of 23.62% over last year mainly on account of amalgamation of NIB Bank Limited (NIB) with and into MCB Bank Limited. On the provision against advances front, the Bank continued with its recovery trajectory and posted a significant reversal of Rs. 2.90 billion. Based on the volatility in the equity markets, net impairment on equity investments was recorded to the tune of Rs. 3.57 billion.

The total asset base of the Bank on a standalone basis was reported at Rs. 1.33 trillion reflecting a healthy increase of 26.19% over December 2016. Analysis of the asset mix highlights that net investments have increased by Rs. 101.04 billion (+18.17%) with net advances increasing by Rs. 121.24 billion (+34.83%) over December 31, 2016. The coverage and infection ratios of the Bank were reported at 93.74% and 9.47% respectively.

On the liabilities side, the deposit base of the Bank registered a splendid increase of Rs. 187.05 billion (+23.94%) over December 2016, including Rs. 61 billion contribution from Ex-NIB Bank Limited. The significant increase in deposits resulted in MCB achieving an all-time high deposit base of Rs. 968 billion on a standalone basis with deposits crossing Rs. 1 trillion mark on a consolidated basis. MCB Bank Limited continued to enjoy one of the highest CASA mixes in the banking industry of 92.86% with current deposits increasing by 27% and savings deposits by 19% over December 2016. Strategic focus on current accounts resulted in an increase in concentration level to 38.94% of the total deposit base.

Earnings per share (EPS) for the year was Rs. 19.56 as compared to Rs. 19.67 for 2016. Return on Assets and Return on Equity were reported at 1.89% and 17.65% respectively, whereas book value per share stood at Rs. 115.18.

Amalgamation of NIB Bank Limited (NIB) with and into MCB

During the year, the Bank has successfully completed the amalgamation of NIB Bank Limited (NIB) with and into MCB. Details are given in note 1.1 to the unconsolidated financial statements.

Directors' Report to the Members

Demerger of 90 branches from MCB Bank Limited

The Board of Directors in their meeting held on October 25, 2017, approved the "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and its wholly owned subsidiary MCB Islamic Bank Limited (MIB)". The Scheme envisages transfer of banking business of ninety (90) branches of the Bank subject to the approval by the shareholders of the banks and sanction by the Honourable Lahore High Court where under the assets, rights, liabilities, operations, systems, staff, assets of back-office functions and obligations of the Bank relating to banking business of these branches will be transferred to and vested in MIB. The banking business of these branches will also stand converted into Islamic banking business on the effective date pursuant to the compliance of applicable regulatory permissions. Both the banks have filed a petition before the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under Section 279 to 283 and 285 read with other enabling provisions of the Companies Act, 2017. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on February 10, 2018.

Risk Management Framework

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

Forward Looking Statement

Going into the year 2018, we are optimistic about the outlook for the local economy. Although inflation is expected to rise owing to higher international oil prices, greater aggregate demand and the depreciation of the PKR versus the dollar, we expect the economy to continue its growth momentum. The benefits of the China Pakistan Economic Corridor (CPEC) and other infrastructure projects will be more increasingly felt during the year as they inch closer to completion. Moreover, the depreciation of the currency will also help address the external imbalances of the country, improving the country's export competitiveness and reducing imports.

Despite adverse indications relating to the external current account, trade balance, and anticipated interest rate volatility, the Bank is committed to delivering exceptional results to its shareholders in 2018. We are committed to expanding our network of branches to meet our valuable shareholders' expectations. We would continue improving our asset quality, increasing deposit base, deploying cost-efficient techniques and increasing contribution from non-markup. We are

exceedingly focused on increasing low-cost CASA base to increment our net interest margins.

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

Recovery from infected portfolio would remain one of the key targets in 2018. We would continue adding products and services to our menu and anticipate significant growth in our non-fund based income. Our special emphasis is on increasing our digital banking range to align ourselves with the ever-changing business dynamics.

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

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.

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 investments, 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

Directors' Report to the Members

the economy /equity market, thus resulting in decreased profitability.

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

Credit Rating

The Pakistan Credit Rating Agency (PACRA) through its notification dated June 19, 2017, has maintained bank's long-term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus]. Moreover, TFC rating of MCB Bank Limited (Ex-NIB) has been upgraded from A+ to AAA, based on the notification from PACRA dated October 06, 2017.

Board Composition

The board composition and casual vacancies occurred during the year 2017, as required under section 227 of the Companies Act, 2017, are presented in the corporate governance section of this Annual Report.

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:

The Board of Directors is committed to ensuring that the requirements of Corporate Governance set by the Securities and Exchange Commission of Pakistan 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 and 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 about the Bank's ability to continue as a going concern;
- The System of Internal Control is sound in design and has been effectively implemented and monitored;
- Key operating and financial data of last six years is presented in the stakeholder's section of this Annual Report;
- Pattern of Shareholding, complying with the requirements prescribed by the code is annexed to this Annual Report;
- Statement of Compliance with Code of Corporate Governance is included in the 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 Value of investment of provident and pension fund as at June 30, 2017, on the basis of audited accounts is Rs. 14,903.37 Million and Rs. 11,044.93 Million respectively;
- Details of directors' training programs are given in the statement of compliance with the code of corporate governance.
- 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.

Pattern of Shareholding

The pattern of shareholding as at December 31, 2017, as required u/s 227 of the Companies Act, 2017 and Clause (xvi) of the Code of Corporate Governance is annexed with 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 Report segment 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 the recommendation of the Audit Committee, the Board recommends the appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as the statutory auditors of the Bank for the

financial year 2018 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



Muhammad Ali Zeb
Director
MCB Bank Limited

February 15, 2018
Lahore

ڈائریکٹرز رپورٹ:

بورڈ آف ڈائریکٹرز کی جانب سے میں ایم بی بی بینک لمیٹڈ کی 70 ویں سالانہ رپورٹ برائے سال بہ اختتام 31 دسمبر 2017ء کو پیش کرتے ہوئے نہایت مسرت محسوس کرتا ہوں۔

معاشی جائزہ:

سال 2017ء خاتمہ کے قریب، عالمی معیشت پر اثر انداز ہونے والے کئی رجحانات پائے گئے۔

مالی سال 2018 کے جولائی۔ دسمبر کے عرصہ میں 5.55 فیصد کا سالانہ بنیاد پر اضافہ ہے۔ تاہم ان مثبت عوامل کے باوجود پاکستان کے تجارتی خسارہ میں اضافہ ہوا کیونکہ درآمدات میں اضافہ کی رفتار، برآمدات سے زیادہ تیز رہی۔

پاکستان کی برآمدات میں مالی سال 2018 کے جولائی۔ دسمبر کے عرصہ میں 11 فیصد کی سالانہ بنیاد پر اضافہ دیکھا گیا جبکہ درآمدات کا تعین اسی عرصہ میں 19 فیصد کی سالانہ بنیاد پر ریکارڈ کیا گیا۔ علاوہ ازیں افرادی ترسیلات مالی سال 2018۔ جولائی۔ دسمبر سے سالانہ بنیاد 2.5 فیصد کے پراعتماد اضافہ کے ساتھ 9.7 بلین امریکی ڈالر کی سطح پر رہیں۔ چنانچہ تجارتی خسارہ کی بڑھتی ہوئی سطح نے پاکستان کے کرنٹ اکاؤنٹ پر دباؤ برقرار رکھا اور مجموعی خسارہ مالی سال 2018 جولائی۔ دسمبر کے دوران 7.4 بلین امریکی ڈالر تک پہنچ گیا۔ جو گزشتہ سال کے اسی عرصہ کے مقابلہ میں تقریباً دو گنا ہے۔

بیرونی اکاؤنٹ پر اس کا دباؤ پاکستانی روپیہ اور امریکی ڈالر کے تناسب پر براہ راست اثر انداز ہوا جو کہ گزشتہ سال میں قدرے مستحکم رہنے کے باوجود اس سال دوم تیز تر کی شکل کا شکار ہوا۔ پہلی دفعہ جولائی 2017 میں یہ شرح 104.90 روپے فی امریکی ڈالر سے بڑھتی ہوئی 108.25 روپے فی امریکی ڈالر تک پہنچی تاہم یہ شرح 105.40 روپے فی امریکی ڈالر پر طے ہوئی۔ دوسرا راولپنڈی دسمبر 2017 میں دیکھنے میں آیا جب امریکی ڈالر کی نسبت پاکستانی روپیہ 4.6 فیصد کی مزید تیزی کے باعث 110.50 روپے فی امریکی ڈالر تک جا پہنچا۔ پاکستان کے زرمبادلہ کے ذخائر میں سال 2017 کے دوران کمی واقع ہوئی جس میں ایس بی پی (SBP) کے ذخائر 18.3 بلین امریکی ڈالر سے کم ہو کر دسمبر 2017 تک 14.1 بلین امریکی ڈالر تک پہنچ گئے۔ یہ اس امر کے باوجود رہا کہ دسمبر 2017 میں یورو بانڈز اور سکو (sukus) کے اجراء کے ذریعہ 2.5 بلین امریکی ڈالر وصول بھی ہوئے۔ پاکستان کے مجموعی زرمبادلہ کے ذخائر سال کے اختتام تک 20.1 بلین امریکی ڈالر رہے۔

سٹیٹ بینک آف پاکستان نے مفاہمتی مالیاتی پالیسی کے اقدام کو جاری رکھتے ہوئے اس سال کے دوران پالیسی ریٹ کو 5.75 فیصد کی سطح پر مستحکم رکھا۔ تاہم سالانہ بنیاد پر سی پی آئی (CPI) افراط زر جنوری 2017 میں 3.7 فی صد کی سطح سے بڑھتا ہوا دسمبر 2017 تک 4.6 فی صد کی سطح پہنچ گیا۔ خالص افراط زر قدرے معتدل رہتے ہوئے 5.40 فی صد کی سطح پر رہا۔

اول یہ کہ فیڈرل ریزرو نے امریکہ میں سال 2017 کے دوران انٹرسٹ ریٹ میں تین مرتبہ اضافہ کرتے ہوئے اس میں مجموعی طور پر 75 بی پی ایس کا اضافہ کیا۔ مزید برآں ٹرمپ انتظامیہ نے اپنے ٹیکس پلان کو آشکار کیا جس کے ذریعے امریکہ میں نمو میں تیزی اور افراط زر کو اپنے ہدف کے قریب تر لایا جاسکے گا۔ فیڈرل ریزروہ یقین ہے کہ سال 2018 میں کم از کم تین مرتبہ انٹرسٹ ریٹ میں اضافہ ہو گا جس کی بدولت ڈالر مضبوط ہوگا اور امریکہ میں بہترین ریٹرن کی توقع کے باعث زیادہ سرمایہ کاری ہوگی اور اس کا نتیجہ میں ابھرتی ہوئی منڈیوں پر گہرے اثرات مرتب ہوں گے۔

دوم یہ کہ تیل کی قیمتوں میں اس سال کے دوران مسلسل تیزی دیکھنے میں آئی جیسا کہ ڈبلیو ٹی آئی (WTI) سپاٹ سال کے آغاز پر ہی 54 امریکی ڈالر فی بیرل تھا۔ تیل کی پیداوار میں کمی کے حوالہ سے اوپیک (OPEC) اور نان اوپیک (Non-Opec) ممالک کے مابین سال 2017 میں معاہدہ کے جاری ہونے کے بعد تیل کی منڈی میں رسد وافر رہی۔ جس کی مدد سے اسکی قیمت سال 2017 کے اختتام پر بڑھتے ہوئے 60 امریکی ڈالر فی بیرل تک جا پہنچی۔ دریں اثناء امریکہ کی پیداوار میں مسلسل اضافہ ہوتا رہا جو سال کے اختتام تک پومپ 10 بلین بیرل کے قریب رہی۔

سوم یہ کہ سال 2017 نے برطانیہ کو بریگزٹ (Brexit) کے لئے ای یو کی ٹرین ٹریٹی برائے برطانیہ، کے آرٹیکل 50 کو باقاعدہ طور پر حرکت میں لاتے دیکھا جو کہ زیادہ سے زیادہ اگلے دو سالوں میں ای یو (EU) سے خروج کے عمل کو مکمل کرے گا۔ برطانیہ اور ای یو (EU) / یورپین یونین کے درمیان دیگر اور خصوصی طور پر ایگریکیشن، تجارت، قانون اور سکیورٹی کے معاملات کے حوالے سے طے پانے والے معاہدہ کی شرائط و ضوابط پر تبادلہ خیال میں ڈیڈ لاک برقرار رہا۔ ابھی تک اس معاہدہ کی حتمی شکل کے حوالے سے کوئی وضاحت نہیں آئی۔

علاوہ ازیں، ای سی بی (ECB) نے اپنے اثاثہ جات کی ماہانہ خریداری کے حجم میں کمی کے باعث یوروزون (Eurozone) کی نمو میں سال 2017 میں اضافہ ہوا اور جبکہ کیو ای (QE) پروگرام میں نواہ کی توسیع کی گئی۔ ای سی بی (ECB) آفیشلز نے اس تحریک میں مزید کمی اور اثاثہ جات کی خریداری کی حتمی اختتامی تاریخ فراہم کرنے کے بارے میں اپنی آمادگی کے اشارے دیئے ہیں۔ اس کے علاوہ، شاید 2018 کے اختتام تک، ریٹ کے مزید بڑھنے کی توقع میں اضافہ ہوا ہے۔ کیونکہ خاص طور پر افراط زر جو آہستہ آہستہ اپنے 2 فیصد کے ہدف کے قریب پہنچ رہا ہے۔

اس دوران سال 2017 میں پاکستان کی معیشت ملکی سطح پر کیفیت میں رہی۔ مالی سال 2016 میں 4.7 فی صد نمو کے بعد جی ڈی پی مالی سال 2017 میں 5.3 فی صد تک بڑھ گیا۔ جو کہ دس سال میں بلند ترین ہے اور مالی سال 2018 میں اس میں 5.6 فی صد تک اضافہ متوقع ہے۔ ایم بی پی پر چیئرنگ میٹر ز انڈیکس (MCB PMI) سال 2017 کے اختتام تک 68.14 کی سطح پر رہتے ہوئے اس رجحان کی تصدیق کرتا ہے۔ پاکستان بیورو آف سٹیٹسٹکس (ادارہ شماریات) کے مطابق فی الحال پیداواری شعبہ میں ترقی ایک صحت مند رفتار سے جاری ہے۔ جس میں بڑے پیمانے کی پیداواریں

منافع اور تخصیص:

31 دسمبر 2017 کو اختتام پذیر سال میں منافع قبل اور بعد از ٹیکس اور تخصیص کچھ اس طرح سے تھی۔

غیر مارک اپ آمدنی کی مد میں بنک نے سال کی دوسری ششماہی میں نمایاں طور پر انحطاط پذیر کسپٹل مارکیٹ کے باوجود گزشتہ سال کی نسبت 11 فیصد کے اضافے کی ساتھ 17.96 بلین روپے ریکارڈ کیے۔ غیر مارک اپ آمدنی کے اضافے میں زیادہ کردار کارکردگی کے حوالے سے فیس (Fees) اور کمیشن کا اضافہ سالانہ بنیاد پر 22.44 فیصد اور غیر ملکی کرنسیوں کی ڈیلنگ کے ذریعہ حاصل ہونے والی آمدنی کا اضافہ سالانہ بنیاد پر 42.93 فیصد رہا۔

انتظامی اخراجات (ماسوائے پینشن فنڈ رپوسل کے) میں پچھلے سال کی نسبت 23.62 فیصد کا اضافہ دکھا گیا جس کی بڑی وجہ این آئی بی بینک لمیٹڈ کا ایم سی بی بینک لمیٹڈ میں انضمام تھا۔ پروویژن (Provision) کی مد میں بنک نے اپنے غیر فعال قرضوں کی وصولی کی خط پرواز کو جاری رکھتے ہوئے 2.90 بلین روپے کی نمایاں واپسی کی۔ ایکویٹی مارکیٹ کی انحطاط پذیری کی بنیاد پر ایکویٹی انویسٹمنٹ کی خالص کمی (نیٹ ایمپیر میٹ) کا تین 3.57 بلین روپے ریکارڈ کیا گیا۔

بنک کے کل اثاثہ جات دسمبر 2016 سے 26.19 فیصد کے قابل قدر اضافہ کے ساتھ 1.33 ٹریلین روپے پر رپورٹ ہوئے۔ اثاثوں کی ترکیب کا جائزہ واضح کرتا ہو کہ خالص سرمایہ کاری اضافہ کے ساتھ 101.4 بلین روپے (+18.17%) جبکہ خالص قرضہ جات 31 دسمبر 2016 کی نسبت (+34.83%) اضافہ کے ساتھ 121.24 بلین روپے رہے۔ بنک کی کوریج (Coverage) اور انفیکشن (Infection) کی شرح تناسب بہتری کے ساتھ بالترتیب 93.74 فیصد اور 9.47 فیصد رہیں۔

واجبات کی مد میں بینک کے ڈیپازٹ میں دسمبر 2016 کی نسبت 187.05 بلین روپے (+23.94%) کی شاندار ترقی دیکھنے میں آئی۔ جس میں ایکس این آئی بی بینک لمیٹڈ کی 61 بلین روپے شراکت بھی شامل ہے۔ ڈیپازٹس میں اس نمایاں وسعت کے باعث ایم سی بی نے انفرادی طور پر 968 بلین روپے کی اب تک کی بلند ترین سطح کو حاصل کر لیا ہے جبکہ روپ بیل پر 1 ٹریلین کی حد کو بھی عبور کر لیا ہے۔ ایم سی بی بینک بینکنگ انڈسٹری میں اپنے بلند ترین کرنٹ اکاؤنٹ سیویگ اکاؤنٹ (CASA) 92.86 فیصد کے تناسب کو خوش اسلوبی سے برقرار رکھے ہوئے ہے۔ جس میں دسمبر 2016 کی نسبت کرنٹ اکاؤنٹ میں 27 فیصد اور سیویگ اکاؤنٹ میں 19 فیصد کا اضافہ ریکارڈ کیا گیا ہے۔ کرنٹ اکاؤنٹ پر خصوصی حکمت عملی کے تحت ارتکاز سے کل ڈیپازٹ میں مجموعی طور پر 38.94 فیصد کا اضافہ ہوا ہے۔

2017 میں فی حصص آمدنی (EPS) ای پی ایس سال 2016 میں 19.67 روپے کی نسبت 19.56 روپے رہی۔ اثاثہ جات کی ریٹرن اور ایکویٹی کی ریٹرن بالترتیب 1.89 فیصد اور 17.65 فیصد رہی جبکہ فی حصص بک ویلیو 115.18 روپے رہی۔

این آئی بی بینک لمیٹڈ (NIB) کا ایم سی بی بینک میں انضمام:

اس سال کے دوران بینک نے این آئی بی بینک لمیٹڈ (NIB) کے ایم سی بی بینک میں انضمام کو نہایت کامیابی سے مکمل کیا ہے۔ اس کی تفصیل غیر جامع (unconsolidated) فنانشل سٹیٹمنٹس کے نوٹ 1.1 میں دی گئی ہے۔

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

بورڈ آف ڈائریکٹرز نے اپنی میٹنگ بتاریخ 25 اکتوبر 2017 میں بینک اور اس کے مکمل ملکیتی ادارے ایم سی بی اسلاک بینک لمیٹڈ (MIB) کے مابین طے پانے والی مفاهمت، انتظام اور تعمیر نو کی سکیم کی

منافع قبل از ٹیکس	31,014
ٹیکس	8,555
منافع بعد از ٹیکس	22,459

افتتاحی غیر تخصیص شدہ منافع	53,469
متین ایسپائرز پیفیفیڈ پلان کی دوبارہ پیکاش (خالص از ٹیکس)	(1,575)
پائیدار اثاثوں کی از سر نو تخمینے پر اضافی آمدن (خالص از ٹیکس)	53
تخصیص کیلئے دستیاب منافع	51,947
تخصیص:	74,406

قانونی ریوزرو منتقلی	2,246
فائل کیش ڈیویڈنڈ @ 4 روپے فی حصص - 31 دسمبر 2016	4,452
عبوری کیش ڈیویڈنڈ @ 4 روپے فی حصص - 31 مارچ 2017	4,452
عبوری کیش ڈیویڈنڈ @ 4 روپے فی حصص - 30 جون 2017	4,740
عبوری کیش ڈیویڈنڈ @ 4 روپے فی حصص - 30 ستمبر 2017	4,740
کل تخصیص	20,630
اختتامی غیر تخصیص شدہ منافع	53,776

ڈیویڈنڈز:

بورڈ آف ڈائریکٹرز نے سال ختم 31 دسمبر 2017 کیلئے 4 روپے فی شیئر/حصص کے فائل (حتی) کیش ڈیویڈنڈ کا اعلان کیا ہے جو کہ شیئر ہولڈرز (حصص کے مالکان) کو پہلے سے ادا شدہ 12.0 روپے فی حصص کے عبوری ڈیویڈنڈ کے علاوہ ہے اور اس طرح ڈیویڈنڈ کی حاصل شدہ پے آؤٹ کا تناسب 83.14 فیصد رہا۔ اس تجویز کے اثرات کو مندرجہ بالا تخصیص میں ظاہر نہیں کیا گیا ہے۔

کارکردگی کا جائزہ:

ایم سی بی بینک نے 31.01 بلین روپے کا قبل از ٹیکس منافع اور 22.46 بلین روپے کا بعد از ٹیکس منافع حاصل کیا ہے۔ گزشتہ سال کے تقابل میں قبل از ٹیکس منافع میں 14.03 فیصد کمی جبکہ بعد از ٹیکس منافع میں 2.59 فیصد کا اضافہ ہوا جو کہ پچھلے سالوں کے ٹیکس اخراجات میں واپسی کی بدولت ہوا۔ خالص مارک اپ آمدنی پچھلے سال سے 3.21 فیصد کمی کے ساتھ 42.21 بلین روپے رہی۔ جس کی بڑی وجہ زیادہ نفع کی حامل بانڈز کی مچھوڑی اور کم انٹرسٹ ریٹ کا ماحول رہا۔ گراس مارک اپ آمدنی کی مد میں بنک نے گزشتہ سال کی نسبت 6.69 بلین روپے کا اضافہ رپورٹ کیا جبکہ انٹرسٹ سے متعلق اخراجات کی مد میں بنک نے پچھلے سال سے 8.09 بلین روپے کا اضافہ ریکارڈ کیا۔ اپنے نیٹ انٹرسٹ ماورج کی کمی کو پورا کرنے کے لیے بینک اپنی توجہ کو کم لاگت کے ڈیپازٹ کے اور زیادہ منافع کے حامل اثاثہ جات کے حصول پر مرکوز رکھے ہوئے ہے۔

فروغ پر ہے تاکہ ہر لمحہ بدلتے کاروباری حالات کی خود سے مطابقت رکھ سکیں۔ ہماری پیشہ ورانہ افراد پر مشتمل مخلص ٹیم اپنے معزز صارفین کی خدمت کے لئے ہر امکانی موقع کو استعمال کرے گی۔

ہم اپنی بہترین سروس کو اپنی، اپنے معزز صارفین کی توقعات پر پوری اترتی مالیاتی طور پر موزوں پراڈکٹس اور ادارے میں موجود مالیاتی طاقت کو مزید منفعیت بخش بنانے کے ذریعے پاکستان میں کام کرنے والے ایک ممتاز بینک کی حیثیت کو برقرار رکھنے کے لیے کوشاں ہیں۔

غیر یقینی کیفیات/ عوامل جو بینک کے وسائل، آمدنی اور کارکردگی کو متاثر کر سکتے ہیں: تمام پیش بینیاں بینانہ اپنی نوعیت میں مختلف خدشات اور غیر یقینی کیفیات/ عوامل پر منحصر ہوتے ہیں۔ جن میں سے بیشتر کسی بھی کنٹرول (انضباط) سے ماوراء ہیں۔ ایسے عوامل جو بینک کے وسائل، آمدنی اور کارکردگی پر اثر انداز ہو سکتے ہیں ذیل میں تحریر ہیں:

ڈسکاؤنٹ ریٹ/ مالیاتی پالیسی:

مختلف اندازوں اور ضابطوں کی بنیاد پر اسٹیٹ بینک آف پاکستان ماہیاری (مالیاتی) پالیسی ریٹ کو تبدیل کر سکتا ہے۔ ڈسکاؤنٹ ریٹ میں کمی کے نتیجے میں بینک کی خالص انٹرنسٹ آمدنی میں کمی اور بینک منافع میں انحطاط پذیری آسکتی ہے۔

افراط زر:

افراط زر پالیسی ریٹ میں تبدیلی کا ایک بنیادی جزو تصور ہوتا ہے۔ افراط زر کے اشارے میں معمولی سا اضافہ بھی مالیاتی پالیسی ریٹ پر مطابقت کے ساتھ اثر انداز ہو سکتا ہے۔ ڈسکاؤنٹ ریٹ میں اضافے کی بدولت بینک زیادہ نفع کی حامل سرمایہ کاری میں رقم لگانے کی صلاحیت کے باعث زیادہ منافع حاصل کر سکتا ہے۔

سیاسی استحکام اور امن و امان کی صورتحال:

سیاسی استحکام اور امن و امان کی صورتحال پر تقابلی بھی معاشی ترقی کی اولین ترجیح ہے۔ یہ اپنے باطن میں پاکستان کی دھرتی پر سرمایہ کاروں کے اعتماد کو بحال کرتی ہے اور ہمارے اداروں میں بہتر سرمایہ کاری کا ماحول اور مواقع بھی فراہم کرتی ہے۔ تاہم دہشت گردی کا کوئی عمل یا سیاسی عدم استحکام معیشت/ ایکویٹی مارکیٹ پر منفی اثرات مرتب کر سکتا ہے جس کے نتیجے میں نفع میں کمی واقع ہو سکتی ہے۔

کارپوریٹ گیس ریٹ:

کارپوریٹ گیس ریٹ (سپر گیس) میں کسی قسم کا اضافہ بینک کے منافع پر منفی طریقے سے اثر انداز ہو سکتا ہے۔

کریڈٹ ریٹنگ:

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے اپنے نوٹیفیکیشن مورخہ 19 جون 2017 کے ذریعے بینک کی طویل مدتی کریڈٹ ریٹنگ کو ٹریپ اے (AAA) اور قلیل مدتی کریڈٹ ریٹنگ کو (A1+) اے ون پلس کی سطح پر برقرار رکھا ہے۔ علاوہ ازیں ایم سی بی بینک لمیٹڈ (ایکس این آئی بی Ex-NIB) کی ٹی ایف سی (TFC) ریٹنگ کو پاکرا (PACRA) کے نوٹیفیکیشن مورخہ 06 اکتوبر 2017 کی بنیاد پر اے پلس (A+) سے بہتر کر کے ٹریپ اے (AAA) کر دیا گیا ہے۔

بورڈ کی ترکیب (کمپوزیشن):

بورڈ کی ترکیب (کمپوزیشن) اور سال 2017 کے دوران ہونے والی غیر مستقل اسامیاں کمپنیز ایکٹ

منظوری دی۔ اس سیم میں شیئر ہولڈرز کی توثیق اور معزز لاہور ہائیکورٹ کی اجازت سے مشروط بینک کی بینکاری کے کاروبار سے متعلق 90 برائیں منتقل کی جائیں گی، جس کے تحت بینک کی ان برانچوں کے کاروبار سے متعلقہ املاک، حقوق، واجبات، آپریشنز، سسٹمز، سٹاف، ایک آفس فنکشنز کے اثاثے اور ذمہ داریوں کو منتقل اور ایم آئی بی (MIB) سے وابستہ کیا جائے گا۔ ان برانچوں کی بینکاری کا کاروبار بھی اسلامی بینکاری کے کاروبار میں اس تاریخ نفاذ سے تبدیل تصور ہوگا جس کا تعین تمام لاگو ضوابطی اجازتوں کے حصول کے بعد کیا جائے گا۔ دونوں بینکوں نے لاہور ہائیکورٹ کی معزز عدالت میں اس کی منظوری اور سیکشن 279 سے 283 اور 285 جو کمپنیز ایکٹ 2017 کی متعلقہ سٹشوں کے ساتھ پڑھے جائیں گے، کے تحت دیگر حکم ناموں جو اس سیم کی عملداری میں سہولت کا باعث بن سکیں، کے لیے پیشین دائر کر رکھے ہیں۔ شیئر ہولڈرز نے 10 فروری 2018 کو منعقدہ ایک غیر معمولی عام اجلاس (EOGM) میں اس سیم کی منظوری دے دی ہے۔

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

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

مستقبل کی پیش بینی:

سال 2018 میں داخل ہوتے ہوئے ہم اپنی مقامی معیشت کی پیش بینی کے بارے میں پر امید ہیں۔

اگرچہ تیل کی عالمی قیمتوں میں اضافہ، بڑھتی ہوئی مجموعی طلب اور پاکستانی روپیہ کی ڈالر کے مقابلے میں تنزلی کے باعث افراط زر میں اضافہ متوقع ہے، تاہم ہم امید کرتے ہیں کہ معیشت اپنی ترقی کے سفر کو جاری رکھے گی۔ پاک چین اقتصادی راہ داری (CPEC) سے حاصل ہونے والے اثرات اور دیگر انفراسٹرکچر پراجیکٹس اس سال کے دوران زیادہ شدت سے محسوس کیے جائیں گے جو کہ اب تکمیل کے قریب ہیں۔ علاوہ ازیں کرنسی کی تنزلی ملک کے بیرونی عدم توازن کو درست کرنے، ملکی درآمدات میں بہتر مقابلہ کے فروغ اور برآمدات کی کمی میں مددگار ثابت ہوگی۔

بیرونی کرنٹ اکاؤنٹ، تجارتی توازن، اندرونی ملک ترسیلات، امن و عامہ کی صورتحال اور کمی کی جانب مسلسل راغب انٹرنسٹ ریٹ کے ناموافق اثرات کے باوجود بینک سال 2018 اپنے شیئر ہولڈرز کو بہترین نتائج دینے کے لئے مخلص ہے۔ ہم اپنے معزز شیئر ہولڈرز کی توقعات پر پورا اترنے کے لئے اپنی برانچوں کے نیٹ ورک (جال) کو وسعت دینے کے لئے مستعد ہیں۔ ہم اپنے بین الاقوامی ساخت میں تقویت، اپنے اثاثوں کے معیار کو بہتر، اپنے ڈیپازٹ میں اضافہ، لاگت کو موثر بنانے کی تکنیک کا نفاذ اور نان مارک آمدنی کی مدد میں اضافی کوششوں کو جاری رکھیں گے۔ ہم کم لاگت کے کاسا (CASA) کے فروغ پر بہت توجہ دے رہے ہیں تاکہ اپنے نیٹ انٹرنسٹ مارجن کو بڑھایا جاسکے۔

قرض دینے کی استطاعت بینک کے کاروباری شہرگ ہے اور ہمیں اس امر کی طرف راغب کرتی ہے کہ ایسے تمام درست مواقع جو ہمارے ادارے کے معین کردہ خدشات کے دائرہ کار کے اندر موجود ہیں، انکا استعمال کیا جائے۔ ہم اپنی ریٹیل بینکنگ، کارپوریٹ بینکنگ، ایس ایم ای (SME) فنڈنگ اور زرعی قرضوں کے اجراء کے لئے متحرک اور مخلص رہیں گے۔ ہم کمزور (صارف) مارکیٹ میں اپنی استعداد کو مزید گہرا کرنے کے لئے کمزور پراڈکٹس سے متعلقہ قرض کے فروغ پر زیادہ توجہ دے رہے ہیں۔

انفیکشن (INFECTION) کے تناسب میں کمی کو برقرار رکھنا سال 2018 کے اہداف میں سے ایک ہے۔ ہم اپنی نان فنڈ میں آمدنی میں متوقع نمو کے لئے اپنی فہرست میں مزید (پروڈکٹس) اشیاء اور خدمات کا اضافہ جاری رکھیں گے۔ ہماری خصوصی توجہ و تائید اپنی ڈیجیٹل بینکنگ کے مدارج/ اقسام کے

- 30 جون 2017 تک پروویڈینٹ فنڈ اور پینشن فنڈ کی سرمایہ کاری کی قدر بمطابق آڈیٹڈ اکاؤنٹس بالترتیب 14,903.37 ملین روپے اور 11,044.93 ملین روپے رہی۔

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

- سال کے دوران بورڈ اور اسکی 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۔

ظہیر ہولڈنگ کی ترتیبی نمونہ:

کمپنیز ایکٹ کی شق 227 اور کوڈ آف کارپوریٹ گورننس کی کلاز (xvi) کی ہدایات اور شرائط کے تحت بینک کی 31 دسمبر 2017 کو ظہیر ہولڈنگ کی ترتیبی اس سالانہ رپورٹ کے ساتھ منسلک 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 بادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، نے اگلی مدت کے اہل ہونے کے سبب دوبارہ تقرری 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 بادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی مالی سال 2018 کے لئے بینک کے قانونی آڈیٹرز کی تقرری کی سفارش کرتا ہے۔

تسلیم و تحسین:

ایم سی بی بینک کے بورڈ آف ڈائریکٹرز حکومت پاکستان، اسٹیٹ بینک آف پاکستان، سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر انضباطی اداروں کے جاری معاونت، بینک کے ظہیر ہولڈرز اور صارفین کا اگلے اعتماد اور اپنے ملازمین کا اگلے خلوص اور عزم پر شکر یہ ادا کرتا ہے۔

مخائب و برائے بورڈ آف ڈائریکٹرز:

عمران مقبول

صدر - ایم سی بی بینک لمیٹڈ

محمد علی زب

ڈائریکٹر - ایم سی بی بینک لمیٹڈ

15 فروری 2018

2017 کے سیکشن 227 کے تحت اس سالانہ رپورٹ کے کارپوریٹ گورننس کے جزو میں پیش کی گئی ہیں۔

اندرونی انضباط کا بیانیہ:

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

کوڈ آف کارپوریٹ گورننس کے تحت بیانیہ:

بورڈ آف ڈائریکٹرز اس امر کو یقینی بنانے کے لئے پر عزم ہیں کہ سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے معین کردہ کارپوریٹ گورننس کے تمام معیار اور شرائط کی مکمل پاسداری ہو۔ بینک نے کارپوریٹ گورننس کے بہترین معیار کو اختیار کیا ہے اور ڈائریکٹرز بمسرت رپورٹ کرتے ہیں کہ:

- بینک کے منجھٹ کی طرف سے تیار کردہ فنانشل اسٹیٹمنٹس اسکی کارکردگی، صورتحال، نقدی کے بہاؤ (کیٹش فلوز) اور ایکویٹی میں تبدیلیوں کا واضح اظہار کرتی ہیں۔

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

- فنانشل اسٹیٹمنٹس کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینے موزوں اور مضابطہ اندازوں پر مبنی ہیں۔

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

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

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

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

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

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

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

- 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۔

Groups' Review

Corporate Finance and International Banking Group

Corporate team remained focused on delivery quality for their customers; while maintaining a strong risk and expense control discipline, which helped CFIBG to deliver another solid year of financial performance during 2017. The group was able to achieve an all-time high corporate advances number, while also clocking their highest ever deposit figure during the year. Despite the tight spreads regime, CFIBG had another profitable year as markup revenues were augmented by strong fee and commission income.

Loan book growth was maintained in a structured manner. To manage the portfolio on a proactive basis, the group continued to closely monitor concentration of sectors and regions and a number of strategy papers were issued which included setting up Risk Asset Acceptance Criteria (RAAC) and Limits for Large Corporates. The exercise allowed us to set macro level view on sectors, identify cross sell opportunities, determine financial benchmarks for various industries, identify transactions in pipeline, manage obligor exposures in a systematic way and maintain a low infection rate in loan book.

CFIBG has performed exceptionally well in foreign trade business during the year 2017. The group registered growth in Fee and FX from its trade operations in Pakistan as well as from its overseas operations. Foreign export business of the CFIBG registered a phenomenal 64% increase over 2016 and outpaced growth in country's export which registered a mere 7% for the same period. Foreign import business also registered an increase of 21% YoY. The Trade team also partnered with MCB Overseas Operations at UAE, Sri Lanka and Bahrain to register growth of 48% in trade volumes over last year, main growth contributor being MCB UAE. The Corporate and Trade Teams will continue to focus on customer centric trade sales models, provide holistic solutions to clients and develop profitable trade products and tailor make solutions to achieve stretched goals set for 2018.

During the year under review, Investment Banking maintained its prominence in the domestic market by participating in various equity advisory, debt syndications and project finance transactions, receiving recognition both locally and internationally through numerous awards:

- Best Investment Bank in Pakistan - Euromoney Awards 2017
- Best Pakistan Deal, IPO of Pakistan Stock Exchange Ltd. - FinanceAsia Achievement Awards 2017;
- Best Equity Pakistan, IPO of Pakistan Stock Exchange Ltd. - The Asset Triple A Country Awards 2017
- Best Regional Bank in South Asia for BRI (Belt & Road Initiative) - Asiamoney New Silk Road Finance Awards 2017;

- Best Bank for BRI-related finance in South Asia - Asiamoney New Silk Road Finance Awards 2017;
- Best Project Finance House in Pakistan - The Asset Triple A Islamic Finance Awards 2017
- Project Finance House of the year of Pakistan - The Asset Triple A Infrastructure Awards 2017;
- Renewable Energy deal of the year, Chanar Energy Limited, The Asset Triple A Infrastructure Awards 2017;
- Transport Deal of the year, Swat Expressway Planning Construction Operations (Pvt.) Limited, The Asset Triple A Infrastructure Awards 2017;
- Runner up award for Corporate Finance House of the Year - CFA 14th Excellence Awards;

MCB Cash Management crossed annual volume of PKR 1.5 trillion in 2017 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, opening of SCRA accounts, Commercial Paper transactions and Escrow Agreements. In addition to these initiatives, Transaction Banking Division (TBD) also registered an impressive growth of Dealer base during the year, contributing to the business volume for TBD and deposit growth for the Bank.

MCB Home Remittances has established itself as a strong brand amongst the remittance business in Pakistan, using technology to make payments easy and convenient. In 2017 MCB Bank has positive growth in home remittances volumes, despite the economic downturn in major remittance sending corridors. Our volumes grew, while the industry volumes dipped.

In addition to the aforementioned highlights, other major achievements of group during 2017, included:

- Cross-sell of various consumer products such as auto / home / personal loan for employees of Corporate Customers.
- Strategic Acquisition and Investment Division played a key role in the merger of NIB Bank Limited into MCB Bank Limited in 2017. As a result of this amalgamation, Temasek/Fullerton Financial Holding has become a shareholder of MCB along with various international names such as Maybank, Templeton Asset Management, Goldman Sachs Equity Fund and Vanguard Index Fund. MCB is now amongst the top banks in Pakistan by market capitalization as well as branch network. In addition the merger will also result in tax and cost synergies for MCB.

Group is geared up to continue with its growth strategy in 2018, with the renewed focus on book building and service based fee enhancement. We will also continue to focus on cross sell initiatives with corporate clients for additional business opportunities.

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International Banking Operations

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

Sri Lanka Operations:

MCB Bank Ltd commenced its Sri Lankan operations in 1994. Since then, the Bank has steadily grown over the years and currently holds the second largest branch network among foreign banks in the country. It provides full banking services, and access through digital platforms and ATMs Island wide. The Bank holds its local rating [SL] A+ (Stable) awarded by ICRA Lanka Limited. Despite the challenging environment, MCB Sri Lanka posted the highest ever profits, in year 2017.

UAE Operations:

MCB commenced operations in UAE in 2015. During 2017, stagnant oil prices, demand-supply mismatch of real estate projects, and elimination of subsidies dampened business turnover in the region. Despite these troubling market dynamics and ever rising nonperformance of corporate loans in the banking sector, MCB WB Bank UAE have stood fast in its commitment to expanding the Bank's presence in the region by achieving their policy objectives and safeguarding the interest of our shareholders through a prudent yet dynamic strategy.

The year saw a marked improvement in the top and bottom line numbers for MCB UAE as compared to previous years. The slowdown in credit uptake was effectively mitigated through diversification of income sources, placing greater emphasis on NFI by identifying, developing and maintaining a sustainable revenue stream.

MCB UAE was able to achieve substantial growth on the deposit side, while continuing to improve on its deposit concentration and maintaining 95% CASA. The focus on developing a healthy mix of corporate risk complemented by a mix of high quality unencumbered assets helped grow the Balance Sheet in a prudent manner.

Bahrain Operations:

MCB has been operating in the Kingdom of Bahrain since 1995. Bahrain operations continue to focus on regional syndicated transactions, bilateral deals and investments. In 2017, MCB Bahrain became member of IFC Global Trade Finance Program opening new avenues to meet funds requirement and acceptability of LC.

Assets Rehabilitation Group

ARG surpassed all previous record of recovery in 2017 by

achieving highest ever figure of Rs.2.540 Billion as compared to Rs.1.750 Billion during 2016. With this achievement, ARG has not only surpassed its annual target by a wide margin but also recorded 45% growth over the corresponding period. This remarkable performance translated into a premier recovery yield of 18% p.a. in Corporate, Commercial & Retail Segment (excluding recovery from Ex-NIB's portfolio). Moreover, Group has also exhibited a consistent run-rate in recovery across the period and has recorded an unprecedented growth of 112%, in terms of number of settlements /cases, over preceding year.

The year 2017 experienced a momentous development in MCB's statue in the form of merger of NIB Bank Ltd. With this historic amalgamation, ARG has been conferred with the management of defaulted loans of over Rs. 30 Billion. In this backdrop, ARG, following its historical trends, sharpened its focus on ex-NIB's NPLs and pursued opportunities despite non-conducive economic environment and snail paced judicial system. This, in turn, resulted in handsome recovery of Rs.843 Million from ex-NIB's Portfolio, within a short span of less than six months after the merger in comparison to Rs.363 Million during similar period before merger.

With the best remedial team in the market, ARG has been making strides to craft handsome contribution towards financial performance of the Bank. Amidst continuing to be the market leader in recovery from NPLs during the past many years, ARG has not only calibrated a transparent policy framework for remedial management but has also created a high performance recovery team across the Country. With ARG's focus on core operating parameters, it has achieved highest recovery yield year on year, which is exceptional when compared with its peers. In addition, it is also a matter of pride for ARG's Team, whose untiring dedication and commitment, had enabled MCB to achieve top-line appreciation from HSBC's Global Research in July 2017, particularly in Recoveries Segment, which termed it as a competitive differentiation for MCB among its peers.

Going forward, with the merger of ex-NIB into MCB, ARG envisions long term opportunities for even greater success tomorrow. Although future holds significant challenges for the banking industry in the context of remedial management & recovery from NPLs due to depressed economic activity, political instability and other significant developments on national & international fronts, yet ARG, now with a larger size, is well poised to enhance its strength and leverage on Bank's continued growth journey to mark 2018 another banner year.

Consumer Banking Group

In terms of growth, the year 2017 has been exceptional for Consumer Business. A number of product initiatives have been taken which will be beneficial for the growth of this segment and going forward more initiatives are in pipeline to

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strengthen this Group.

Consumer Lending business reached a number of milestones during the year and posted a healthy profit for the year 2017, of over PKR 450 Million. Bank financed approximately nine thousand vehicles with disbursements amounting to PKR 8.3 billion. As a result of this performance the Bank now stands as one of the top players in auto finance business. Home loan business remains a focused area for growth and we crossed 1 billion worth disbursement mark in a year. The credit card business continued to develop in a steady manner, and we made substantial progress in the lucrative Personal Loans business after the takeover of the NIB portfolios and teams.

The Wealth Management business (comprising of Bancassurance and Investment Services) continued its upward trajectory in 2017, and was the main contributor to the Consumer Banking Group's profitability. Profits (after allocations of other Group costs) grew from Rs. 695 million in 2016 to over Rs. 906 million in 2017; an increase of over 30%. The Banca business crossed the key landmark of Rs. 2 billion in fresh premium in 2017. Investment Services managed to hold AUMs at over Rs. 12 billion despite extremely unfavorable market conditions caused by a depressed stock market and low interest rates. The Wealth Business's contribution to the Bank's fee income line will continue to grow in 2018.

For the year 2018, the Consumer Banking Group will invest further in systems, controls and human resources to ensure the highest level of service accorded to its customers with more automation and reduced turnaround times. We will also explore avenues and digital channels to target its key customers and meet customer expectations with the ultimate aim to sustain market leading volumes while ensuring highest quality of portfolio.

Retail Banking Group

The year 2017 will be remembered in RBG's history for Completeness & Fulfilment; the year has been very successful particularly in terms of deposit & advances growth and historic trade volumes. 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 94%. Current Account growth has been a key factor and has shown tremendous growth in 2017. Growing fee income from branch operations has also been instrumental in increasing profitability.

RBG on the basis of client segmentation, driven by Product packaging and Relationship building has built stable and profitable business volumes in core deposit bands through branch distribution. It has also built its brand visibility in all Customer Segments with convenience and superior service

experience as well as through its enhanced presence in the media.

RBG provides a platform for all banking product streams including Liabilities, Trade, Wealth Management, Transaction Banking, Consumer Assets as well as all Digital Channels. On advances side, RBG has been contributing in providing a complete range of products (including Working Capital, Trade and Seasonal Finance and all other Advances related requirements) to our Corporate and SME customers. Strong credit policies and robust risk management framework of the bank have helped ensure a healthy portfolio.

Superior service is the overarching element that ensures premier customer experience and is the differentiating factor in all initiatives. RBG's Service Management Programme provides standardised framework to all units for service delivery. RBG has implemented and is driving a well-planned Sales Management Process to continuously enhance sales productivity and agility in structures to meet customer needs.

2017 marks another significant milestone in the history of the Bank as ex-NIB Bank stands merged with and into MCB Bank whilst maintaining growth momentum and delivering quality service! At the same time the Bank opened 40 new branches (including 4 sub-branches) pan country thus increasing the network strength to over 1400 branches. 2018 will be the year to capitalize the extended branch network as a result of this merger and the new branches planned for 2018.

RBG has also introduced State of the Art Digital Branches in up-market malls in Lahore's prestigious Emporium Mall & Packages Mall. Our Privilege proposition and Super Service Excellence branches led by the team of talented professionals are servicing affluent, mass-affluent and core customers for greater portfolio control and increased wallet share.

In 2017, keeping in view customer needs and market offerings, Retail Banking Group also launched deposit accounts for Pensioners and Senior Citizens catering to the needs of this segment. New product launches primarily enhanced the low cost and current account menu of the group.

Another big achievement of Retail Banking Group in 2017 was once again a strong performance and success during Hajj campaign. With dedicated and focused efforts across the network, MCB continued to facilitate huge volumes of Hajj applications by becoming a trusted companion in their religious journey.

The management 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

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compliance and control structure to maximize operational efficiency and governance. Responding to customer needs, MCB ATMs also recorded ever highest uptimes throughout the year.

RBG is ever receptive to the need for change and improvement by being proactive and anticipating the customers' needs and adapting quickly to new realities. The Group is always willing to respond to the customers and colleagues thus displaying mutual respect and understanding for each other. RBG believes in honesty, transparency and meritocracy and is recognised for reliability and credibility. RBG understands its fiduciary responsibility to the Regulator and other Stakeholders.

With on-going commitment to the strategic intent, RBG will go from strength to strength in the days to come to ensure sustained performance momentum in 2018 and beyond.

Capital Market

2017 proved to be an immensely challenging year for Pakistan's stock market as the KSE-100 Index fell by 15% (20% in Dollar terms). After briefly touching an all-time high of 52,876 points the market entered bear territory due to deteriorating macroeconomics, political instability and hefty foreign outflows post MSCI upgrade. This year's market performance was the worst after 2008, when the market fell by 58%. In a very tough year MCB's Capital Markets Division managed to post positive returns even after booking provisions on our portfolio. Our team stands committed to navigate 2018 by relying on the invaluable lessons learned in the past year. Going forward our goal is to continue to maximize return for the bank while minimizing risk through a mixture of active/passive investing and staying abreast of all political and economic developments.

Treasury and FX Group

The year 2017 proved to be a challenging yet successful year for Treasury & FX Group. Treasury continued its outperformance and remained a major contributor to the Bank's markup and non-markup revenues.

Treasury and FX Group continued to contribute significantly towards the Bank's top and bottom lines in 2017. The Year-on-Year growth in Treasury's markup/interest revenue resulted from a combination of growth in Treasury's portfolio as well as its efficient management. Treasury's top-notch research and critical insight of important macro-economic trends allowed it to timely anticipate the reversal of the low interest rate phenomenon. For this reason, the duration of MCB's investment portfolio was continuously decreased. This well-planned reduction in the share of long-term fixed income securities in Treasury's overall asset allocation should benefit the

Bank in the impending rising interest rate scenario. Additionally, efficient use of yield enhancing strategies provided support to the Bank's revenues at a time of persistently low interest rates. MCB Bank also maintained its status as a Primary Dealer and remained the bank of choice for its clients. 2017 was a splendid year with respect to the FX income of the bank on the back of higher trade and non-residents' remittance volumes. Merger of NIB's Treasury into MCB's Treasury was done in an exemplary manner and Treasury systems were integrated smoothly on the first day of the merger. The interbank Money Market and FX desks maintained their status as top market makers and ensured smart and active positioning of the book vis-à-vis Policy rates.

MCB has established a successful track record of derivatives business over the previous years and achieved the status of Authorized Derivatives Dealer (ADD) in 2017. With the grant of full ADD license from SBP, the Bank is able to realign and strengthen its strategic position vis-à-vis the competitive landscape. Our expertise in this highly technical area has grown over the years, giving us the edge needed to be at par with the developed world in terms of derivatives based hedging solutions offered to our clients.

During 2017, the MCB Treasury Research Desk continued its bi-monthly publications – MCB Economica and MCB Purchasing Managers Index (PMI) – for the benefit of our valued customers. Emphasizing the Bank's customer-focused approach, Treasury conducted various seminars and interactive discussions for our customers. A coffee session was held in both Karachi and Lahore to discuss the expanding role of the CNY currency in the global economy and how importers and exporters in Pakistan can attain better pricing from their suppliers or customers by transacting in CNY. Another exclusive coffee session was held in Islamabad to discuss the current landscape of the Pakistani economy, highlighting economic indicators such as GDP Growth, inflation, monetary policy and exchange rate. Finally, an extensive seminar highlighting the current external sector position and its future prospects was held both in Karachi and Lahore. The discussion focused on the factors affecting the balance of payments position of Pakistan and how each factor contributes to Pakistan's external position. It also offered insights on what is likely to transpire in the future. Our customers greatly appreciated our initiatives and actively sought solutions that can help create value in their businesses. All of this was done to manifest MCB and Treasury's customer-centric approach to our business.

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

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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, with the successful amalgamation of NIB Bank, our ATM network is now the second largest with 1375+ ATMs, 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 solution, established International footprint, proactive controls to combat money laundering and frauds, interoperability with other financial entities and Branchless Banking solutions to facilitate the customers irrespective of their location.

Information Technology Group (ITG) at MCB Bank is comprised of a team consisting of thorough professionals having a proven track record of project delivery and IT infrastructure management at an enterprise. The components of the organizational structure of ITG are included with IT Enterprise Infrastructure, IT Operations, IT Software Solutions, IT Support Services, IT Service Management, IT Information Security, IT Business Technology, IT Compliance and Internal Control, IT Business Continuity, IT Project Management, IT Procurement, IT Financial Services and Digital Banking Division who are committed to servicing its consumers both internally and externally 24/7. Recently ITG successfully streamlined existing operations across board and recorded the highest ever uptime of core banking along with affiliated applications throughout the year. Nevertheless, the availability of Data Centers and the back-end systems along with all necessary services were remarkably remained at five-nines. In addition to operational achievements by ITG, new benchmarks were achieved to comply with the highlighted recommendations by external and internal auditors 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 2018, IT Group is more committed towards:

- Omni-Channel Customer Experience in MCBs Digital space
 - Payment Card Industry : Compliance : PCI DSS Certification
 - Analytics for Customer Insight
 - Innovation with a focus on Business enablement
- Apart from above commitments, IT Group shall continue to empower the staff with the requisite trainings and job enrichment plans to impart motivation and job success factors.

Digital Banking

Surpassing the traditional norms of growth, MCB Bank's Digital Banking Business has grown to become one of the most comprehensive, secure and flexible payment ecosystems. Within a short span of time it has gained a leading position and is favored by both individual and corporate consumers. The Year 2017 concluded with a remarkable top line of over PKR 2 Billion with substantial financial growth and increase in the overall foot print. This was only possible due to our focused strategy to expand our service offering and delivery to the end user while being preemptive about the prevailing industry risks.

MCB Digital Banking with the help of Retail Banking launched the first ever Digital lounge. The lounge is in shape of a futuristic branch that provides a modern outlook with a prominence of digital products and service offerings. This Strategic Initiative has instilled the image of MCB Bank as a technologically advanced bank and has reiterated dominance of MCB Bank within the industry.

The Debit Card business which constitutes a significant portion of the entire Digital Banking portfolio was able to achieve a number of milestones which includes the highest number of card issuance i.e. 772K including 133K of Paypak (Pakistan's first local payment scheme) debit cards, record Debit POS spend of 8.8 Billion, a 15% YOY Increase in card activation rate from the previous year and numerous marketing campaigns done across various retail friendly industries.

Our self service channels which includes both the Mobile and Internet Banking performed exceptionally well with more than 250K+ App downloads till date, overall 42% YOY growth in

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transactional volume, enhanced transactional limits for the users and improved customer experience with the addition of 18 new billers within the payment menu.

The ATM Network also witnessed steady progression in terms of reach, reliability and transactional volume. With the amalgamation of ex-NIB and new ATMs, our network now stands at 1375+ ATMs including 150+ Offsite locations. MCB Bank is now the second largest bank in terms of ATM network reach, with the highest yearly uptime of 96.74% along with 16% YOY growth in transactional volume and count. This performance is a testament of the robust health-check measures taken by the bank where we replaced more than 100 machines in a year. The ATM channel was further empowered; it now accepts Paypak, JCB and UPI scheme cards. The bank also deployed 13 Cash Deposit Machines (CDMs) across main cities in order to digitize deposits as well.

Another essential channel completing the Digital Banking equation is the Acceptance business which includes the online payment gateway solution (eGate) and the Point of Sale (POS) terminals ensuring MCB Bank's presence in the digital and physical payment franchises. Like the previous year, Card Acquiring continued to enter new hallways of payments with the addition 100+ eCommerce merchants and a remarkable growth of 233% in eCommerce transactional volumes. The eCommerce is a rapidly evolving business space and the bank has decided to tread it in a collaborative mode with the payment facilitator model being nurtured and prioritized for years to come.

POS Acquiring also grew by almost 24% in terms of transactional volumes and entire fleet started accepting Paypak, JCB and UPI scheme cards as well. In order to enhance transactional efficiency and the customer experience the bank also upgraded its Network Access Center Point.

The Branchless Banking arena (MCB Lite) also showed considerable strides by venturing into institutional sales opening more than 80K Mobile Wallets, while also beefing up its regular lines of revenue. 71% YOY growth was witnessed in terms of financial transactions and 65% YOY growth was achieved in terms of financial volume.

In parallel we continued to take necessary measures to strengthen our system securities, educate customers on cybercrimes and its preventions through various means like the newspaper, SMS, email, etc. apart from taking measures to implement enhanced controls over digital channels.

Priorities in 2018

- Implementation of New ATM Controller and Card Hosting System
- Revamp of Lahore Call Center
- Launch of MasterCard Debit Cards

- Enhanced focus on Risk, compliance and controls
- Implementation of new Mobile/ Internet Systems
- Home remittance in Mobile Wallets

Operations Group

Operations Group continues to function with its strategic thrusts of operational excellence & efficiency, cost effectiveness, automation and centralization. It remained a key enabler throughout the year by providing exceptional support to all business groups at every front.

All the Divisions of the Group keenly participated in achieving Bank's strategic goals of expansion while providing outstanding service to its internal customers. Merger of MCB with ex-NIB was one of the most significant strategic initiative undertaken by the Bank in past few years to expand its footprint. This merger will reap the benefits of creating value efficiencies and returns enrichment in the days to come. Operations Group has been one of the key players from the very start of this initiative and played a pivotal role in smooth integration of both banks. Through a collaborative approach, the Group was able to manage transition and merger activities smoothly with minimum possible disruption to customer service. One of the key highlights was integration of ex-NIB's treasury operations into MCB on the very first day of merger. Correspondingly, integration of ex-NIB's Operations related to consumer & digital banking, trade services, corporate lending, purchases & payables and fixed assets was successfully completed as per overall integration approach. The Group also spearheaded development of detailed operational processes to handle the transition and integration activities, and it continues to provide the post-integration support. Additionally, relevant trainings were imparted to the ex-NIB staff in order to bring them up the curve with respect to MCB's policies, processes, and systems.

In addition to the NIB's integration, extraordinary efforts were made to support business as usual for challenging business targets. Group's transaction processing functions including Treasury & Capital Markets, Trade Finance Services, Corporate Banking, Consumer and Digital Banking, and Centralized Operations stood side by side throughout the year with their business counterparts for smooth execution of business volumes which were unprecedented in some of the areas.

In its quest to achieve agility and process efficiency for better customer service, Operations Group collaborated with Information Technology Group specifically, and other groups generally to review various business processes. Accordingly, the Group spearheaded significant projects such as centralization & automation of some key functions/processes related to MCB's Bahrain Operations, enhancement of automated processes related to RTGSS

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etc. Being cognizant of the digital transformation happening in the ecosystem, Operations Group has been the main partner of business groups to enhance customer experience and engagement through the development of new digital products and capabilities. In this bid, Group has led various initiatives including addition of auto card stuffing machine, to handle increased card variants and volumes while ensuring minimum TAT, automation of reversals for POS & ATM transactions and development of web based local dispute filing facility through MCB website etc. Additionally, the Group played an instrumental role in various Bank wide initiatives. Some of the key initiatives worth mentioning are migration of Credit Card Application System, Launch of Union Pay & JCB Card Acquiring, PayPak Issuance & Acquiring and launch of auto loan residual value variant.

The Group has also been a major contributor in strengthening the controls & compliance environment of the Bank through continuous review of various business processes in the backdrop of COSO Internal Control Framework. Accordingly, various business processes were developed / modified to strengthen underlying controls while adhering to the requirements & changes in regulations, policies, processes and systems. The Group has put every effort for enablement of business groups with respect to innovative and contemporary products and services, especially in the backdrop of changing economic landscape of the country viz a viz China Pakistan Economic Corridor initiative. In order to harness the incidental opportunities, Operations Group spearheaded development of Special Convertible Rupee Account (SCRA) product and processes which will assist the Bank to capitalize on the Foreign Portfolio Investment opportunities in the country.

The Group has been committed in providing exceptional services to its internal customers on general support services, logistics, and infrastructure fronts. The Group embarked on various construction and renovation projects covering some of the key office building complexes and tier 1 branches. 2017 also witnessed the construction of Packages Mall Branch & Digital Lounge Emporium Mall, the projects that will take MCB to new levels of excellence in terms of network expansion.

Business Continuity Plan

Business Continuity Management (BCM) is a robust management process that identifies potential impacts which threaten an organization. Accordingly, it provides a framework for building resilience and the capability for an effective response to internal and external threats to safeguard the interests of an organization's key stakeholders, reputation, brand and value-creating activities

There may be a situation where an unexpected business interruption is caused by natural or man-made event(s), for

such interruptions, BCM provides a platform to keep the known/unknown risks within tolerable range. MCB Bank has a special focus on maintaining an effective enterprise-wide BCM program which enables the Bank to continuously deliver its mission critical services and products to its customers and stakeholders.

The Board of Directors of the Bank periodically reviews the Business Continuity Policy & Framework to ensure that clear and concise plans are in place having strong remedial actions to reduce the risk of downtime and the cost of recovery from any untoward event.

Compliance and Controls Group

The regulatory landscape and compliance environment is becoming more and more complex and demanding on account of Global and Geo political challenges. The Compliance and Controls Group (CCG) is continuously vigilant in enforcing a well-integrated and robust compliance framework to identify, assess, advise on, monitor and report on the Bank's Compliance risks. These include legal or regulatory sanctions, financial loss, or loss of reputation of the bank as a result of its failure to comply with all the applicable laws, regulations, code of conduct and standards of best practices. Group is also vested with the responsibility of Service Quality function of the bank.

The Group aims to ensure the highest standards of AML/CFT compliance, which requires management and employees to adhere to these standards by preventing use of Bank's channels, products and services for money laundering and terrorist financing. The Group monitors out of pattern transactions to detect possible Money Laundering activities through Transaction Monitoring Solution (FCCM). It also leads the Management Committee on AML/CFT for oversight of AML-CFT compliance w.r.t relevant regulations, policies and procedures and steering of various AML-CFT initiatives in the Bank, to minimize/reduce the risk of ML/TF activities.

CCG ensures professionally cordial working relationship with State Bank of Pakistan (SBP), Law Enforcement Agencies and other regulatory bodies. Further CCG liaise with SBP Inspection Team and internal stake holders during regular as well as special/thematic inspections. It also spearhead the Issue Tracking and Management structure comprising of members from Senior Management to ensure expeditious resolution of issues pointed out in SBP inspections and by respective regulators of the overseas operations.

During 2017, various landmarks were achieved especially delivering automated monitoring solutions in the form of Common Reporting Standard (CRS). CCG further enhanced the compliance assurance coverage canvas through increased field reviews. Sustaining its focus on AML/CFT risk, CCG conducted training sessions in this area, pan

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country, for the second consecutive year. Although fraud Risk mitigation apparatus of the bank is well spread out at all level, yet in order to create a more coordinated response towards this risk Fraud Risk Management Department has been set up within Compliance Group during the year. We aim at making this outfit fully operational during 2018 and thus enhance organizational response towards various aspect of fraud Risk. Furthermore, CCG is further focusing for strengthening its AML/CFT risk mitigation process by creating specialized units to monitor Trade and increased oversight of overseas operations.

Service Quality Division is enhancing focus and rigor around customer experience through Service Council and improved internal stakeholder engagement. It is a dedicated function in the bank, with the objective to spell out a framework to help build a sustainable service culture in the organization geared for delivering par excellence service at all times. This framework consists of Structure & Governance, Service Standards, Service Monitoring, Product & Process Reviews, Complaint Management, Training & Coaching, Feedback Mechanism, Accountability and Rewards.

Service standards for the bank are defined in consultation with relevant businesses / functions and form part of the bank's Service Management Program. These include, Look & Feel of Customer Touch Points, Service Delivery across All Channels & Functions, Process & Product Turnaround Times, Staff Behavior & Product Awareness. It is the responsibility of Service Quality Division to manage, modify and implement bank's approved Service Management Program.

During 2017, in addition to 'Service with a Smile' a new dimension of training 'Service for Life' has been introduced to ensure that senior customer dealing staff is equipped with appropriate knowledge of service etiquettes and protocols in order to deliver high quality customer experience. Obtaining customer feedback on our services is critical for continuously improving our service delivery. The same is ensured through externally conducted Customer Satisfaction survey and internally conducted Voice of Customer surveys. In addition to aiming for service excellence, ensuring fair treatment of customers has remained on top of the bank's service agenda throughout the year.

Customer Grievance Handling Mechanism

A dedicated Complaint Resolution Unit within the Service Quality Division is the custodian of the complaint management process and works in collaboration with all businesses / functions of the bank.

This centralized unit is responsible for acknowledging, investigating, tracking, escalating and resolving customer complaints within specified turnaround times (TAT). The

escalation matrix observed and designed in the system is such that a complaint, if not resolved within the specified TAT, gets escalated to the next senior level of management and keeps on escalating further till resolved.

The Unit also performs in-depth qualitative and quantitative complaints analysis followed by suggestions and recommendations in order to eliminate root cause and drive continuous improvement.

Channels through which complaints are received:

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

It is clearly evident from the aforementioned significant new initiatives that CCG is on a higher trajectory and striving to create a strong compliance culture across the bank. Going forward, the Group will continue to strengthen its resource base – people, technology and systems – to effectively cope with the dynamic and challenging banking environment, with special focus on compliance regarding AML/CFT regulatory regime and further improve customer experience.

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

Audit & RAR Group continued to perform its role effectively on both the assurance and consultative fronts during 2017. It played pivotal 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. The Group also highlighted areas for improvement

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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. An enhanced training program keeping in view the training needs of internal audit team was implemented during the year. This program enabled the team to perform its duties objectively as well as with professional due care.

With the zeal and commitment to play an effective role in the Bank's endeavor for continuous improvement, Audit & RAR Group will persevere for further strengthening of its resources and Framework in 2018.

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 by 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 comprises 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 in process of being uploaded and have been shared /exchanged with relevant business for implementation.

During 2017, around 25,000 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 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

Groups' Review

matters for litigation and ancillary matters that arise directly or indirectly due to the litigation.

Following initiatives were taken by the Litigation Department during 2017:

- 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 three meetings of Litigation Review Committee (LRC) were held in the year 2017 and during the said meetings, 16 lawyers were enlisted on Bank's Approved panel.
- The performance of 247 lawyers was evaluated and discussed during LRC meetings on the basis of feedback received from the relevant businesses.
- In such meetings, Special attention was given to the cases involving Rs.10 million and above, including execution petitions pending for 3 years and more & way forward was also discussed for expeditious disposal of these execution petitions.
- During 2017, the group remained cost efficient as professional fee with the assigned lawyers was negotiated well within the approved grid/limits.

To strengthen itself, MCB Legal Affairs Group has shown significant growth in 2017 and is committed to perform up the curve in future to help the Bank to achieve better results.

Human Resource

HR strategy clearly articulates the need to hire, develop and retain smart, independent thinkers who are focused and energetic, who will keep our business agile and innovative and who are motivated to deliver exceptional client experiences. HR provides a platform to link individual personal development plans to the learning management system, making it easier for employees to access relevant trainings. We are striving to create a place to work where our people feel connected to our purpose and our clients. They are empowered and recognized for delivering our strategic objectives, and making the most of every opportunity to achieve their full potential.

Throughout the year MCB HR has focused on hiring trained and experienced resources from the market to enhance the capability of the Business groups. HRMG has been the leader in the industry and fulfilling its corporate responsibility by providing job opportunities to fresh graduates.

Engaging with employees across the Board and sharing

the Bank's vision and key challenges is a vital measure in utilizing their potential by involving them in the Management process. HR was instrumental in organizing Town Halls and open forums for the President and top Management across the regional landscape of the Bank.

The year was spent on training our workforce to equip them with the latest technological and regulatory changes in the field of Banking and ensure that they are well equipped to handle their professional responsibilities.

Several steps were taken to enhance the learning and development of staff. The year 2017 witnessed an increase of 79% in terms of participants trained while also achieving an increase of 15% in training man days. While also developing a product catalogue, role based trainings for Branch Operations Managers, Branch Managers and Teller Services Officers were increased in number. By increasing focus on mobile trainings Learning & Development division was able to achieve a 96% increase in mobile training delivery in 2017 as compared to last year.

Considering the Organizational changes including introduction of new entities, role enhancements and revision in scope of work, HR successfully revamped its HR policies to emerge as the employer of choice in the Banking industry.

We have a transparent KPI based performance assessment and reward mechanism that allows employees to track their performance through their goal achievement throughout the year. It also enables the Management to prioritize its objectives by adapting the KPIs accordingly.

MCB is an equal opportunity employer which believes and implements this philosophy in the organization, HR believes in initiating steps to foster and maintain a work climate that is conducive to achieving equal employment opportunities and have a workplace free from discrimination and harassment. Emphasis is placed on hiring the best people on the basis of their professional skills regardless of color, cast, creed, religion and gender.

We place value on Building teams based on their professional skills and abilities to achieve the targets set by the Management.

Security

The Security Division remained committed to assist the business and other segments of MCB Bank Limited in achieving their assigned goals in a cordial and peaceful working environment. Security Division provided intimate security support to the business and ITG and other stakeholders to carry out their activities related to the takeover during late night, and took over security responsibilities of the branches / other locations of ex-NIB Bank at the time of its amalgamation with MCB Bank. The process of bringing the taken over branches to the security standards of MCB Bank was also successfully completed.

Other important activities during the year were ensuring compliance of directives / instructions given by the Regulator and Provincial / Federal Authorities related to the security

protocols to be arranged in the branches. The salient projects in this regard were installation of Walk Through Gates, Iron Jangla and high resolution cameras in the selected branches, which were under taken with support from General Services Division, Operations Group.

The security Division also obtained approval of Physical Security Policy of MCB Bank from the Board of Directors and initiated the process of revision of Security Manual, containing SOPs to be adopted in the branches and offices of the Bank in the light of approved policy and to respond to changes in the law and order situation of the country.

The security team successfully consolidated the functioning and reporting systems of Burglary Alarm Systems installed in over 1000 branches of the Bank. The team also imparted security training to over 1300 branch staff members during the year.

Marketing Division

The Marketing Division aims to enhance the positive image of MCB Bank through its Corporate Brand Building & CSR activities, promotion of our innovative Product & Services, Standardization of Corporate & Brand Communications, Branch Merchandizing and strong Public Relations. On the occasion of MCB Bank's 70th Anniversary, Marketing Division played a key role in celebrating the milestone throughout the year; by executing media campaigns, internal communication campaigns and memorable events.

One of the key milestones was achieved through completion of the external rebranding of all MCB Bank branches pan-Pakistan, which now have a dynamic new fascia which reflects the new visual identity of the Bank. The Division was also involved in MCB Bank's merger with and into ex-NIB Bank and ably supported the Bank's integration process, through timely internal and external communication campaigns and OOH branding, where the external branding of ex-NIB branches was converted to MCB Bank's new visual identity in a short span of time.

The Division continued to build awareness of the bank's innovative products and services, through various Above the Line (ATL), Below the Line (BTL) efforts backed by strategic Public Relations & CSR initiatives. Marketing Division continues to lead on building the MCB Corporate Brand and support different business groups within the bank in promoting our products and services to customers at large and the general public.

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 nation-wide network of branches.

The aim of MCB Islamic Bank Limited is to be the 1st choice Sharia Compliant Financial Services provider for the customers and to carry out business purely in accordance with the Shari'ah rules with full conviction and devotion.

Alhamdulillah, the Bank currently operates to provide

Shari'ah compliant value added and high tech innovative banking solutions for customers under the supervision of Shari'ah Board which is being headed by renowned Islamic Scholar Prof. Mufti Munib-Ur-Rehman.

The Bank focuses on building strong lasting relationships and 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 the Personal and Business needs.

The Bank is using world's renowned and highly recognizable Oracle Flexcube as its Core Banking Software. Different services and products offered by the bank are available to customers through a branch network of 76 branches backed by over 77 On-Site and Off-Site ATMs network (with the merger of 90 branches branch and ATM network will be extended to 166 and 170 respectively). Bank operates EMV enabled Debit Card, iOS and Android based native Mobile and Internet Banking.

The Bank is at a firm standing with an asset base of Rs.51.77 billion, posted healthy growth of 81.21%, from last year's Rs.28.57 billion. Islamic financing and related assets impressively grew by 94.60% to Rs.31.47 billion from Rs.16.17 billion. As part of business strategy, focused efforts were made to vigilantly grow Consumer Finance portfolio and high yielding segment of Micro Finance was also launched. Surplus resources were diverted towards investments which grew by 59.20% to Rs.9.19 billion from Rs.5.77 billion. Trade volume increases by 64.55% to Rs.24.79 billion from Rs.15.07 billion last year.

The Bank achieved an outstanding growth of 128.94% in total deposits, reaching to Rs.32.69 billion from Rs.14.28 billion last year, while at the same time improved the CASA percentage to 79.19% as compared to 58.67% last year. This is primarily because of the introduction of wider range of products, encompassing a myriad of options that the customer can attain along with branch expansion.

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

Corporate Governance

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

Board composition

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

Category	Names
Independent Directors	<ol style="list-style-type: none"> Mr. Ahmad Alman Aslam Mr. Samir Iqbal Saigol Mr. Irfan Ahmed Hashmi
Executive Director	<ol style="list-style-type: none"> Mr. Imran Maqbool
Non-Executive Directors	<ol style="list-style-type: none"> Mian Mohammad Mansha Mr. S. M. Muneer Mr. Tariq Rafi Mr. Shahzad Saleem Mian Umer Mansha Mrs. Iqraa Hassan Mansha Mr. Mohd Suhail Amar Suresh Mr. Muhammad Ali Zeb Mr. Nor Hizam Bin Hashim

Independent Directors meet the criteria of independence under clause 5.19.1. (b) of the Rule Book of Pakistan Stock Exchange Limited ("PSX").

Casual Vacancies on the Board of Directors:

No casual vacancy occurred on the Board of Directors during the year 2017.

Detail of Board Meetings held outside Pakistan:

During the year 2017, all the Board of Directors meetings were held in Pakistan.

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

Sr. No.	Director's Name	Board of Directors (BoD)		Board's Sub-Committees															
		Member	Attendance	AC		BS & DC		RM & PRC		HR & RC		PP & CA		ITC		CR & MC		WO & WC	
				Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance
	No. of Meetings Held	5		5		5		4		4		4		4		2		0	
1	Mian Mohammad Mansha	◆	4	-	-	-	-	-	-	◆	4	-	-	-	-	-	-	-	
2	Mr. S. M. Muneer	◆	3	-	-	◆	3	-	-	-	-	◆	3	-	-	◆	-	-	
3	Mr. Tariq Rafi	◆	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	◆	
4	Mr. Shahzad Saleem	◆	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	Mian Umer Mansha	◆	3	-	-	◆	3	◆	2	-	-	◆	4	-	-	-	-	◆	
6	Mr. Ahmad Alman Aslam	◆	4	◆	4	◆	3	-	-	◆	3	-	-	◆	3	◆	1	-	
7	Mr. Muhammad Ali Zeb	◆	5	◆	5	-	-	◆	4	-	-	-	-	-	-	-	-	-	
8	Mrs. Iqraa Hassan Mansha	◆	4	-	-	-	-	-	-	◆	2	◆	1	-	-	-	-	-	
9	Mr. Samir Iqbal Saigol	◆	5	◆	5	-	-	-	-	-	-	-	-	◆	4	-	-	◆	
10	Mr. Mohd Suhail Amar Suresh	◆	5	-	-	◆	5	◆	3	-	-	-	-	-	-	-	-	-	
11	Mr. Irfan Ahmed Hashmi	◆	5	-	-	◆	5	◆	4	-	-	-	-	◆	4	◆	2	-	
12	Mr. Nor Hizam Bin Hashim	◆	3	◆	4	-	-	-	-	-	-	-	-	-	-	-	-	-	
13	Mr. Imran Maqbool (President & CEO)	◆	5	-	-	◆	5	◆	4	◆	4	◆	3	◆	4	◆	2	-	

◆ Member

Corporate Governance

Board committees

The Board has eight 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. IT Committee;
7. Compliance Review and Monitoring Committee; and
8. Write-Off and Waiver Committee;

Audit Committee

Meetings held: 5

Composition:

1. Mr. Ahmad Alman Aslam – Chairman
2. Mr. Muhammad Ali Zeb
3. Mr. Samir Iqbal Saigol
4. Mr. Nor Hizam bin Hashim

Terms of Reference:

The main terms of reference of the Committee are: Determination of appropriate measures to safeguard the bank's assets. 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.

Reviewing preliminary announcements of results prior to external communication and publication. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary). Reviewing Management Letter issued by External Auditors and management's response thereto. Ensuring coordination between the internal and external auditors of the Bank. Making recommendations to the Board of Directors, the appointment of external auditors, their removal,

audit fees, the provision of any service permissible to be rendered to the Bank by the external auditors in addition to audit of its financial statements. Reviewing scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the bank; Reviewing Performance appraisal of Group Head - Audit & RAR, jointly with the President & Chief Executive Officer; Audit Committee may recommend to the BOD for its consideration for removal of Group Head – Audit & RAR. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto; Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective; Reviewing the Bank's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer ("CEO") and to consider remittance of any matter to the external auditors or to any other external body; Determination of compliance with relevant statutory requirements; 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. Monitoring compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 and identification of significant violations thereof; Consideration of any other issue or matter as may be assigned by the Board of Directors.

Business Strategy and Development Committee

Meetings held: 5

Composition

1. Mian Umer Mansha - Chairman
2. Mr. S. M. Muneer
3. Mr. Ahmad Alman Aslam
4. Mr. Mohd Suhail Amar Suresh
5. Mr. Irfan Ahmed Hashmi
6. President & CEO

Corporate Governance

Terms of Reference:

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

Human Resource and Remuneration Committee

Meetings held: 4

Composition

1. Mian Mohammad Mansha - Chairman
2. Mr. Ahmad Alman Aslam
3. Mrs. Iqraa Hassan Mansha
4. President & CEO

Terms of Reference:

The main tasks of the Committee are to ensure that; The existing policies are reviewed periodically, and, as necessary, revised & recommended to the Board, in order to attract and retain highly qualified employees. The latest entry-level procedures are put in place for recruitment of entrants. The existing training facilities for the new entrants as well as for up-gradation of skill level of all employees are reviewed and revised. Proper classification & reclassification of employees' pay scales, job description, and methods of their periodical review are put in place. An objective criterion for work appraisal/performance is developed & linked with the annual merit increase. A review is undertaken of the organizational structure to bring it in line with business strategy & development plan and approve an organizational set up or any revision in the existing set up taking into account the recommendations of the President. An in-house human resource expertise

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

Risk Management and Portfolio Review Committee

Meetings held: 4

Composition

1. Mr. Muhammad Ali Zeb - Chairman
2. Mian Umer Mansha
3. Mr. Mohd Suhail Amar Suresh
4. Mr. Irfan Ahmed Hashmi
5. President & CEO

Terms of Reference:

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. 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. Review and recommend to Board, Bank's Risk Appetite Statement on an annual basis. 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.

Corporate Governance

Committee on Physical Planning and Contingency Arrangements

Meetings held: 4

Composition

1. Mian Umer Mansha – Chairman
2. Mr. S. M. Muneer
3. Mrs. Iqraa Hassan Mansha
4. President & CEO

Terms of Reference:

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

IT Committee

Meetings held: 4

Composition

1. Mr. Samir Iqbal Saigol - Chairman
2. Mr. Ahmad Alman Aslam
3. Mr. Irfan Ahmed Hashmi
4. President & CEO

Terms of Reference:

The main terms of reference of the Committee with regard to governance and supervision are; to approve an overall plan for IT system for the bank prepared by the management. To approve the organizational strategic plan to ensure an effective use of information technology by all departments and branches. 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. To approve

and oversee a reliable and secure communications infrastructure with the capacity to address future growth. To approve policies those promote development of information technology resources in an organized, deliberate, secured, and cost effective manner. To review and approve management recommendations for IT standards for ensuring compliance with regulatory requirements and identifying and mitigating significant IT related risks. To review and approve the Administrative IT structure. To undertake any other IT related work assigned to the Committee by the Board.

Compliance Review and Monitoring Committee

Meetings held: 2

Composition

1. Mr. S. M. Muneer - Chairman
2. Mr. Ahmad Alman Aslam
3. Mr. Irfan Ahmed Hashmi
4. President & CEO

Terms of Reference:

The terms of reference of the Committee are: To review six monthly reports prepared by the Compliance & Controls Group and routed through the President on overall compliance risk management in the Bank (local as well as overseas operations) including the actions taken on the recommendations and observations of SBP in its Annual/Thematic Inspection Report and compliance status of AML / CFT policy; To guide the management in the matters pertaining to compliance risk management in the Bank, compliance of SBP's observations, AML/ CFT regulations and review the progress in implementation of remedial actions taken with respect to noncompliance; To carry on liaison between the Board and the management on overall management of compliance risks with a view to ensuring compliance pertaining to compliance issues raised through CCM, SBP's observations and AML/ CFT issues; To make recommendations to the Board, if necessary, for taking decisions on expedient and appropriate disposal of compliance issues raised through CCM, SBP's observations and AML / CFT identified issues; To oversee the effectiveness of Service Quality functions of the Bank to review the performance of the Service Council; To review/recommend Compliance Risk Strategy/Policy, Compliance Program & allied

policies and oversee its implementation across the bank in letter and spirit; To recommend appointment, any disciplinary action or termination of CCO on the advice of the President and ensure that position of CCO does not remain vacant for more than 60 days; To ensure that CCO has proper stature, authority, resources, support, independence and capacity to offer his objective opinions to senior management and Board on compliance risks; To engage with CCO on half yearly basis, to discuss issues faced by the Compliance Function (“CCG”) in the implementation of board approved compliance program; To review the minutes of Compliance Committee of Management (CCM) meetings to ascertain its effectiveness in managing compliance risk; Any other issue that is deemed necessary and required by the regulations.

Write Off and Waiver Committee

Composition

1. Mian Umer Mansha - Chairman
2. Mr. Tariq Rafi
3. Mr. Samir Iqbal Saigol

Terms of Reference:

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

Corporate Governance

Management Committees

1. MANAGEMENT COMMITTEE

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

2. ASSETS & LIABILITIES COMMITTEE

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

3. INVESTMENT COMMITTEE

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

4. MANAGEMENT CREDIT & RISK COMMITTEE

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

5. DISCIPLINARY ACTION COMMITTEE

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

6. PURCHASE & EXPENSE COMMITTEE

1. Mr. Kamran Zaffar Muggo
2. Mr. Salman Zafar Siddiqi
3. Mr. Hassan Nawaz Tarar
4. Mr. Usman Hassan

7. WRITE OFF COMMITTEE

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

8. ISSUE TRACKING AND MONITORING COMMITTEE

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

9. IT STEERING COMMITTEE

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

10. LITIGATION REVIEW COMMITTEE

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

Corporate Governance

Management Committees

11. MANAGEMENT SUB-COMMITTEE FOR RESOLUTION OF LONG OUTSTANDING AUDIT ISSUES

1. Mr. Kamran Zaffar Muggo
2. Mr. Salman Zafar Siddiqi
3. Mr. Azfar Alam Nomani
4. Mr. Zargham Khan Durrani
5. Mr. Faisal Ejaz Khan

12. MANAGEMENT SUB-COMMITTEE ON AML/CFT

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

13. OVERSEAS MONITORING COMMITTEE

1. Mr. Salman Zafar Siddiqi - Chairman
2. Mr. Muhtashim Ashai
3. Mr. Farid Ahmad
4. Mr. Kamran Zaffar Muggo

14. COMPLIANCE COMMITTEE OF MANAGEMENT

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

Corporate Governance

Performance Evaluation of Board of Directors:

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

During the year 2017, the Board performed excellently and exhibited high standards of business and professional conduct in managing and supervising affairs of the Bank and reporting to shareholders on its stewardship. The Board fulfilled its fiduciary duty of safeguarding the interest of the shareholders, setting up strategic direction, devising roadmap for attaining the strategic plan and evaluating the performance while ensuring regulatory compliance. It also monitored the Bank's financial and operational soundness, governance structure, the effectiveness of internal controls & audit functions and risk management framework and also considered long-term policy-related matters including of review of significant policies as per the regulatory requirements as well as to cater Bank's operational needs.

An effective Board also continually needs to monitor and improve its performance. It can only be achieved through its evaluation, which provides a powerful and valuable feedback mechanism for improving board effectiveness, maximizing strengths and highlighting areas for further development. The evaluation process inherently is expected to have a process for setting standards of performance, judging the extent up to which the actual performance relates to the set standards and making a future path of action from the results.

MCB Board has put in place a mechanism for an annual evaluation of its own performance whereby Board evaluates its strategic planning and long-term policies to assess the Bank's performance, monitors budgetary targets and ensures implementation of overall corporate strategy. The Board evaluates its performance by looking at the overall performance of the Bank. The Board has an appropriate size and structure and the Board members have requisite skills/expertise, competency, knowledge and diversified experience considered relevant in the context of Bank's operations and to make the Board an effective governing body. It has constituted its Sub-Committees with defined scope of work and reporting procedures and such Committees are performing their duties within the prescribed mandate and respective terms of reference.

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

- Is the composition of the board appropriate, having the

right mix of knowledge, expertise and skills to maximize performance?

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

SBP Guidelines has provided different approaches for Board's performance evaluation of the banks/DFIs and each approach has its own merits and demerits. MCB Board has adopted 'In house Approach' for its performance evaluation. It is an amiable approach as all the Board members are familiar with each other and overall dynamics of the Board room. In compliance of SBP Guidelines, the Board has formed an Evaluation Committee which is playing a vital role in performance evaluation of the Board and its Members. The Company Secretary of the Bank assists the Evaluation Committee in its performance evaluation process.

The overall performance of the Board is reflected in its performance evaluation. The Board's self-assessment exercise is performed annually by the Board's Evaluation Committee and the process initiated by identifying performance determinants followed by their rating scales. The Committee adopts mix of both quantitative and qualitative techniques. The consolidated evaluation results/findings of the Evaluation Committee were compiled and submitted to the Board for its review and consideration.

During the year 2017, the Board deliberated on the following significant issues/matters:

- Annual Budgets/Business Plan for 2018 and Strategic Projects of the Bank;
- Bank's Policies and amendments thereto;

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- Financial Results of MCB Bank and consolidated financial results with its subsidiaries on quarterly, half-yearly and annual basis together with Directors' Report and Auditors' Report and declaration of dividend;
- Related Party Transactions as recommended by Board's Audit Committee;
- Significant activities and achievements of Board's Committees;
- Matters recommended by Board's Committees;
- Appointment/Engagement of External Auditors of the Bank as well as for its Overseas Operations and also to Perform Agreed upon Procedures;
- Approval of Scheme of Compromises, Arrangements and Reconstruction to demerger of assets, liabilities and operations of 90 Branches with and into MCB Islamic Bank Limited;
- Exception to Board's approved policies along with MIS;
- Exception from Current and Linkage Ratio Policy Framework;
- Alteration in Articles of Association;
- Client Service Reports issued by the External Auditors and its compliance status;
- Status and implications of all material law suits filed by and against the Bank;
- Write-offs/Waivers approved at Different Authority Levels and recoveries thereto;
- Cases of fraud and forgeries of a material nature reported to the State Bank of Pakistan ("SBP");
- Annual Branch Expansion Plan of the Bank;
- Review of Annual Performance Evaluation of the Board, the Chairman, Individual Directors, Independent Directors, the President & CEO and Board's Committees;
- Roles and Responsibilities of the Chairman, the Board, the President & CEO and the Senior Management.
- Institutional Risk Assessment Framework ("IRAF") Questionnaire;
- SBP Inspection Reports along with Time-Bound Action Plan thereon; and
- Matters pertaining to Regulatory Requirements.

The composition of MCB Board is in line with the regulatory requirements and the Board Members has requisite skills/expertise, competency, knowledge and diversified experience considered relevant in the context of the Bank's operations and to make the Board an effective governing body.

The Board sets Bank's strategic aims and provides the leadership to put them into effect and upholds the vision, mission and core values of the Bank. It exhibits high standards of business and professional conduct in managing and supervising affairs of the Bank and reporting to shareholders on its stewardship. The Board monitors actual results against the key performance indicators and all the significant issues deliberated and the decisions taken as collective body. The Board also reviews the financial achievements made by the

Management on quarterly as well as on annual basis and approved future targets to be attained.

The Board has formulated all significant policies and keeps them up-to-date on regular basis. It reviews and approves the Bank's annual budget and long-term strategic plan as well as impact of regulatory /economic factors on the financial projections of the Strategic Plans. It also monitors Bank's financial and operational soundness, governance structure as well as the effectiveness of internal controls, audit functions and risk management framework of the Bank in an effective manner.

There was an effective risk governance framework having robust communication about risk across the Bank. In this regard, the Board made the decisions about Bank's strategy and risk approach; articulate and monitored adherence to risk appetite and risk limits in line with Bank's strategy. The risk management framework as approved by the Board provided an active approach in dealing with factors that influence the financial standing of the Bank. The Bank has a proactive approach to generate recurrent earnings and to maximize shareholder's value by achieving an appropriate tradeoff between risk and returns. The Management has the prime responsibility to establish and maintain an adequate and effective system of internal controls and procedures under the approved policies of the Bank.

The Board has approved the policies which provide the proper mechanism and procedures to the Management to deal with the eventualities which may come across the business of the Bank. Business maintains business continuity plan including disaster recovery plan, which is developed based on risk assessment and business impact analysis, as applicable, taking into account different types of scenarios to which the Bank may be exposed to.

The Board has approved the separate set of Code of Conduct for employees and directors. All the directors had signed the Code of Conduct & Ethical Standards at the time of their appointment as a director giving that they are fully aware of its principles. The Code has mainly required the directors to exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interest of the Bank.

Performance Evaluation of the President & CEO:

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.

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During the year, Board's Human Resource & Remuneration Committee evaluated the performance of the CEO in line with the established performance based evaluation system. The Board has also reviewed the performance evaluation of the CEO as per the SBP Guidelines based on below criteria:

- 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?

Performance evaluation of the CEO covers quantitative as well as qualitative aspects and is conducted on defined parameters which primarily cover financial performance against budgets, leadership qualities, timely and effectively executions of strategies set by the Board, effective representation while communicating with all stakeholders and establish an effective organization structure to ensure management's focus on key functions.

During the year 2017, the President of the Bank 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 Management through effective leadership and team building efforts helped in achieving maximum performance of the Bank. The financial year under review remained challenging for the banking industry as a whole in terms of continuous fall in discount rate and regulatory revisions which resulted in low margins; however, the Management generated healthy earnings and achieved the budgetary targets. During the year, assets base of the Bank registered an increase of 26%; equity enhanced by 15.72% and investments by 18% over 2016. The CASA reported at 92.86% and the deposit base of the Bank depicted an increase of 24% with current accounts grew by 27%, saving and term deposits by 19% and 51%, respectively. The Management also maintained the stringent control over cost of deposits. At the bottom line, the Bank generated good financial results as compared to last year.

The President managed the affairs of the Bank in accordance with strategies and long-term objectives approved by the Board. He monitored short-term goals and ensured that the operating groups/divisions develop their own plans for the future, which need to be quantified as far as possible with benchmarks established. He has established an effective organizational structure having appropriate resources/systems within the Bank, to ensure that the Senior Management focuses on key functions and also to execute strategies timely and effectively as set by the Board. He has an effective communication with the Board, shareholders, employees, regulatory authorities and other stakeholders and serves as an effective representative of the Bank while communicating with all the stakeholders. He maintained high standards of corporate citizenship and social responsibility wherever the Bank operates and ensures the compliance of applicable laws, rules and regulations.

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

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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.

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 terms and conditions of appointment of the President shall be determined by the Board's Human Resource & Remuneration Committee and approved by the Board of Directors. The President shall be deemed to be a director and also entitled to all the rights and privileges and be subject to all the liabilities of that office. He/She should possess leadership qualities i.e. correct anticipation of business trends, opportunities and priorities affecting the institution's prosperity and operations.

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.

Formal Orientation and Training Program for Directors:

The Board has arranged orientation courses for its directors. The Board members either have minimum education and experience, as required for exemption from Directors'

Training Program or have already completed Directors' Training Program pursuant to clause 5.19.7 of Rule Book of Pakistan Stock Exchange Limited. However, two newly appointed directors in financial year 2016 will meet the training requirement within the stipulated time frame.

The following directors hold certification from SECP approved institutions:

1. Mr. S. M. Muneer
2. Mr. Ahmad Alman Aslam
3. Mr. Muhammad Ali Zeb

In addition, following directors have foreign certification:

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

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

Incorporated in the Directors' profile.

Non-Executive Directors

At present all the directors on the Board are non-executive except for President & CEO.

Independent Directors and their Independence

The Board has three (03) Independent Directors and they meet the criteria of independence under Code of Corporate Governance.

Statement of Compliance with the Code of Corporate Governance

The Statement of Compliance with Code of Corporate Governance is annexed with this annual report.

Accessibility of Annual Report 2017

Annual Report 2017 and other information of the Bank are accessible on Bank's Website: www.mcb.com.pk.

Investors' Relations section on the Corporate Website

Investors' Relations is available on the Corporate Website of the Bank.

Corporate Sustainability Report

MCB Bank is one of the leading Banks with a legacy of more than 70 years. As one of the largest Banks in Pakistan, MCB Bank continuously strives to adopt best practices at work place and encourage a culture of discipline, principles and values for its stakeholders. By initiating numerous projects and services that facilitate in a socially responsible way, MCB Bank ensures sustainability of the greater environment and social well-being of its employees.

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

Corporate Social Responsibility

Being amongst the largest banks in Pakistan, MCB Bank manages business with its stakeholders in a manner that is ethically acceptable and beneficial for all.

MCB Bank holds an approved Corporate Social Responsibility (CSR) Policy to cover the core areas of focus on CSR. During 2017, the Bank continued to make contributions towards education, health, environment, sports and awareness.

Youth Education and Training

MCB Bank is one of the largest employers in Pakistan and provides employment opportunities to thousands of deserving candidates. The Bank has a well-established and systematic approach towards identification of talent and has fair policies in place to promote and recognize shining workforce. The Bank also encourages internal and external trainings and President level interactive sessions for field and operational staff in an effort to boost employee morale and future performance.

The Bank aims in promoting and encouraging intelligent minds of all ages to get together by sponsoring the efforts of the Institutes in every way possible. During 2017, MCB Bank took the initiative as part of Bank's corporate social responsibility to donate renovated computers equipment and systems to one of the country's most reputable NGO, The Citizen Foundation (TCF). The Bank aimed to help TCF in enhancing over 1,202 units of schools nationwide by a technology push through this contribution. The Bank also made monetary donation in order to directly help the less privileged to access education.

During 2017, the Bank conducted employee satisfaction survey for select staff with the purpose of identifying areas for further improvement on the employee engagement front. The Bank also sponsored numerous seminars on Housing Finance and SME Financing across Pakistan.

MCB Bank also made donation to Foundation for Rehabilitation & Education of Special Children (FRESH) during the year for purchase of vehicle for under privileged child students' pick and drop. The Bank also sponsored Old Ravians Association Lahore for annual dinner and Institute of Chartered Accountants of Pakistan [ICAP] for the CFO Conference 2017.

During 2017, the Bank has paid PKR 29.1 million as education allowance to clerical and non-clerical staff for education of their children. In addition, MCB Bank has also spent PKR 60.1 million on staff capacity building and trainings.

Community Investment, Welfare Schemes & National Cause Donations

MCB Bank seeks to demonstrate firm commitment towards the community by being vigilant towards identifying and supporting causes that will facilitate the betterment of the society. The primary focus of the Bank is towards communities where public and private sector services are inadequate as a result of geographical or social isolation or because of insufficient demand levels.

MCB Bank feels proud to have made donations to Shaukat Khanum Memorial Cancer Hospital & Research Centre for construction of a new hospital for poor cancer patients in Karachi, to Saleem Memorial Trust Hospital for construction of their hospital in Lahore, and to Pink Ribbon Pakistan for the construction of Pakistan's first dedicated breast cancer hospital in Lahore. The Bank also made donations to Diabetic Association of Pakistan, Murshid Hospital & Charity Hospital Care Center for better medical services to the under privileged and needy patients.

In its effort to help the disabled community in the country, the Bank also contributed to Pakistan Association of the Blind and to Rising Sun Education & Welfare Society for support to special children through quality education in purpose built specialized setup.

The Bank also understands its responsibility towards the minorities of Pakistan and donated to St. Patrick's Cathedral Church during 2017.

Besides direct financial support, the Bank has arrangements for online donation mediums for its customers. The Bank celebrated "Pinktober 2017 – Breast Cancer Awareness" in collaboration with Pink Ribbon Pakistan and Shaukat Khanum Memorial Cancer Hospital & Research Centre through 3D mapping projection, dispatch of special flyers to MCB Customers, and free awareness display at digital platforms and dissemination through internal campaign.

Sports

The Bank realizes the importance of outdoor sports for the nation and during 2017 sponsored Multan Golf Club for the 8th Major General Shahid Hamid Khan Memorial All Pakistan Multan Open Golf Championship 2017 and Shehreyar Khan League for the 2nd SKL Night Tournament 2017. MCB Bank also sponsored the National Hockey Stadium through Pakistan Navy (Pakistan's Naval Defence) for procurement of mini Astro turf of international standards to increase interest of youth in sports.

Corporate Sustainability Report

Energy Conservation and Energy saving measures

MCB Bank considers national obligations to be its top priority. With energy crisis as one of the major national concerns, MCB Bank believes to lead by example. The management is geared towards mitigating the impact of high energy cost by promoting practices that aim to use energy smartly and economically.

In view of the Country's continuous energy shortfalls, during 2017, the Bank successfully completed the mega project to convert its vast network of more than 1,200 branches and its ATM signage to the most efficient and energy saving LED medium which is expected to reap long term benefits for the stakeholders.

In line with National Policy on Energy Conservation, MCB Bank gives utmost priority to save Energy and have regular controls over day to day checks through regular reporting.

The Bank is currently in the test stage for the solar system installation at MCB Premier Branches. MCB Bank has also installed UPS Invertors at their selected ATMs in Lahore city in the initial phase.

MCB Bank prioritizes the usage of latest technology to conserve energy such as BMS Operation systems which are currently installed at its two main head offices in Lahore and Karachi. The BMS system is controlled centrally to monitor and has best possible controls to save energy, smartly and economically. Moreover, a system of waste heat cogeneration is also being used at MCB Center Lahore. MCB Bank emphasizes the use of glass panels in outer walls of buildings so as to utilize maximum sun light from morning till evening.

Environmental Protection Measures

The provision of excellent work environment is the Bank's goal. The major buildings have a professional third party arrangement to maintain external / internal plantation with a regular check by Bank senior staff. The Bank believes in giving employees a congenial working environment, therefore, not only the external plantation but the plants placed indoor in major Bank buildings are changed and replaced on regular basis which keeps the environment fresh.

During 2017 the Bank undertook a landscaping project on a major road in coordination with Cantonment Board Lahore. The project was handled by a professional third party Horticulture specialist to plan proper Landscaping with plantation. MCB Bank is spending millions of rupees on plantation to keep the environment fresh. MCB Bank also sponsored the renovation of Yadgar e Shuhada in Jhelum.

As a responsible bank, MCB Bank is always concerned for the people and overall wellbeing of the society, including the environment. We have been endeavouring to go paperless by introducing an array of Digital Banking services which will help to reduce our dependence on paper. MCB Bank has adopted green practices such as - paperless services which include eco-friendly digital initiatives like the Internet Banking, Mobile Banking and Digital Branch Noticeboards. All these initiatives encourage the use of digital banking instead of branch banking and help to reduce the overall carbon footprint. MCB bank also discourages the usage of resources such as paper, stationery, vouchers, cheque leaves thereby aiding in environmental conservation.

The term "Green Banking" is comparatively a new development in the financial world of Pakistan, but MCB Bank realized the importance of it long time ago and has taken several steps towards the same. Apart from the digitization of normal banking functions, we have been providing financial assistance for Renewable Energy projects as part of local and federal Government's several different Renewable Energy Initiatives.

Mitigating the adverse impact of industrial effluents

MCB Bank seeks to reduce the direct impact of its operations on the environment by creating awareness on the issues of water pollution and water preservation so as to deliver benefits to the community. We encourage our clients to avoid the release of effluent, as Energy Conservation and Energy saving measures.

Consumer Protection Measures / Procedure Adopted for Quality Assurance of Products and Services

The Bank is committed to provide quality products and services to its customers. It maintains a privacy statement for the usage of its products i.e. Credit Cards, ATM pins etc.

To ensure a culture of "Quality Customer Service" the Bank has a dedicated Service Quality Division with the objective of strengthening the Bank's service culture regular training sessions are conducted in all circles, call centers and other front-end staff offices regarding "Service Excellence" & "Customer Satisfaction".

Complaint Management & Handling

A centralized complaint resolution team manages all customer complaints through a complaint management system. All complaint handling staff & Call Centre have access to this system so as to ensure that all complaints, whether verbal or written, are immediately captured in the system. In addition, complaint forms and drop boxes are also available at branches to facilitate customers in registering their complaints.

The resolution of complaints is comprehensive, appropriate and quick. The customer is kept informed on the status of their complaint, starting from complaint acknowledgement till its resolution. Turnaround times for escalations and resolutions are followed as per regulatory requirement.

Customer Satisfaction

A satisfied customer is the key driver/core element to the success of any organization. MCB Bank truly respects its business partners and ensures that it exceeds the expectation of its customers. The Bank has Call Centers and website to help address customer queries/complaints. During 2017, a total of 69,518 complaints were resolved at a success rate of 95.2%.

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Total Login – Statement of Complaints	73,056		
Closed	69,518	95.2%	
Open	3,538	4.8%	
Total Login	Closed	Open	Grand Total
Complaint	69,518	3,538	73,056
Request	10,735	1,441	12,176
Queries	2,777	326	3,103
Reversal	1,622	326	1,948
Grand Total	84,652	5,631	90,283
Percentages	93.8%	6.2%	

Turnaround Time (TAT) Monitoring:

Monitoring and evaluation of service indicators is part of the belief in increasing and retaining customer base. In order to keep a strong hold on processes within the Bank, the Service Quality Division has devised several controllable measures at par with prevailing market practice. Against each measure, a tolerance level along with a timeline is set. Similar to the Branch Banking, indicators for Consumer Assets, Credit Cards, Bancassurance, Call Centre, Mobile Banking, Internet Banking and ATM Uptime are monitored on monthly basis.

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.

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.

Quality Checks and Mystery Shopping

During the year, all branches were monitored with respect to service parameters and protocols. Moreover, 791 branches were 'Mystery Shopped' by independent external agency and results of this activity was shared with management for further improvement.

Gender Equality and Employment of Special Persons

The Bank ensures through its approved Code of Conduct that the rights of all staff members are highlighted and each employee abides by the basic ethical standards of the Bank. MCB Bank is an equal opportunity employer and encourages employment of special persons. It does not discriminate on the basis of race, gender, age or disability. The Bank has also extended employment opportunities to special persons who are contributing towards the growth of the Bank.

MCB Bank is an equal opportunity employer and as of 2017, the female employee ratio increased to 15% while 276 employees from the non-Muslim sector are currently in employment by the Bank to ensure that it has the best pool of efficient resources without any discrimination.

Occupational Safety and Health:

The safety and health of its employees is a top priority for the Bank. Pakistan's leading Consultant Firm was hired by MCB Bank during 2017 to examine / survey the existing safety & health measures including equipment installed at MCB Bank head office in Lahore. The firm was also engaged to recommend further improvements required aligning with International standards and the proposals were incorporated in the existing arrangements. MCB Bank also plans to conduct professional surveys in future for other major buildings so that the overall existing safety and health arrangements can be improved further.

MCB Bank has always provided congenial working environment within the acceptable standards of safety and health to its employees. All permanent employees of the Bank are covered under a comprehensive "Staff Group Insurance Policy" (life & medical). MCB Branches are equipped with alarm systems, CCTV cameras and trained security personnel are deployed to ensure the safety of employees and customers. The Bank has developed a comprehensive "Health, Safety & Environment Policy" which is reviewed periodically by the senior management. The policy reiterates maximum safety standards to be met by all businesses, support functions and branches encouraging employees to promote the safety of their colleagues and customers.

Developing a constructive "health and safety culture" within the Bank is everyone's responsibility and MCB Bank has always taken initiatives such as on-site health checkups, seminars on health & safety aspects, practical drills imparting emergency preparedness, reinforcement messages upon epidemics and pandemic etc. to ensure that its staff is well informed about procedures for safeguarding life and Bank's assets.

Emergency Lights, Fire Proof Cabinets, Fire Detection System, Fire & Burglary Alarm System, Portable Fire Extinguishers, Safety-Anti Shatter Films, First Aid Kits, Regular Evacuation Drills, Emergency Exit Doors, Fire Sprinkler System and Medical Health Insurance are some of the measures through which Bank ensures safety and security of its employees and customers.

During 2017, the Bank arranged a seminar for its employees on "Chronic Pain Management" as part of a Corporate Social Responsibility (CSR) initiative, to discuss the details revolving chronic pains for professionals involved in long sittings and working hours. The MCB Health, Safety and Environment (HSE Office) also issues internal email for employees all over the country during winters as the Smog entered in Pakistan causing breathing and health issues. As part of MCB Health Awareness Program, MCB Medical Unit issued awareness issues on Hypertension, high blood pressure and Diabetes Mellitus for its employees. The Bank also sponsored a conference on "Psychology of Gender in Perspective: Issues and Challenges" by National Institute of Psychology.

Women Protection and Respect

MCB Bank strives to ensure that it provides a conducive and harassment free environment for all employees. The Policy for protection of women harassment has been revisited and is circulated Bank wide every year. The in-house training sessions to be conducted for awareness and effects of "Protection against Harassment of women at the workplace" law, reiterating the Bank's position of zero tolerance on this matter. Zero tolerance for any form of harassment or

Corporate Sustainability Report

discrimination is also covered in the Bank's existing code of conduct. The Bank for the first time, also celebrated "Women's Day" internally, whereby it paid tribute to the high achieving women of the Bank. A similar campaign was run on "Mother's Day" to inculcate the value of family and respect for women.

Industrial relations

MCB Bank is fully responsible for maintaining a healthy relationship between individual workers and the employer. It gives special heed towards the agreement and satisfaction of its staff as a whole. The clerical/non clerical staff is represented by a staff union that periodically engages with management to arrive at an equitable and mutually agreed wage award for the unionized staff (clerical/non clerical).

Scholarships are being offered to enhance the educational needs of the staff children. During the year the Bank through its platform of "Staff Welfare Fund" spent PKR 5 million to assist clerical and non-clerical staff members by financially enabling them in important social events like marriage ceremony of their daughters or to meet the burial expense of their departed loved ones.

Keeping in view the religious sentiments of our employees, the Bank sponsored its staff through balloting to perform Hajj by spending PKR 5.2 million in 2017.

Employee Engagement through Celebration of National Events

MCB Bank has a legacy of giving back to its country through establishment of a patriotic culture within the Bank.

To commemorate the Independence Day, grand arrangements were made for flag hoisting by the Bank and cake cutting ceremony was held which was participated by MCB Employees and their families. This year again, the Head Office Lahore was a traffic-stopper for two nights for its eye-catching LED décor that covered the entire front of the building. MCB Branches and offices also celebrated the day throughout the Country and the event was shared amongst employees to encourage their spirit and patriotism.

The Bank also celebrated the Independence Day and Pakistan Defence Day by showcasing thematic and engaging display at MCB Centre Lahore using its newly installed state of the art 3D mapping projector.

MCB Bank also ran internal campaign throughout the year covering Pakistan Defence Day, Pakistan Resolution Day, Iqbal Day to recall and remember the sacrifices, our national heroes and importance of our beloved country.

Business Ethics and Anti-Corruption Measures

The Bank has played an active role in identifying and mitigating possible risks and losses through promulgation of policies and procedures to reduce possibility of such incidents.

The Bank has developed, along with 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 available on MCB Intranet Portal for ready access of MCB Employees.

The Bank continues to maintain a strong compliance culture across the board for all official activities. MCB Employees are expected to act honestly, responsibly, and with integrity at all times. The Code of Conduct of the Bank describes the values and minimum standards for ethical business conduct and governs all of our interactions, whether with clients, competitors, business partners, government and regulatory authorities, shareholders, or with one another. Our policies focus on the conduct of the employees and providing them guidelines to enable them to ensure compliance with all applicable laws and regulations.

The Disciplinary Action Committee (DAC) takes action on any violation of policies & procedures, act of fraud & forgery, breach of discipline and code of conduct, ethics & business practices, law of land and statutory regulations by an employee.

Improved compliance and adherence to ethical standards are at the core of the organization. MCB reinvents itself in the public eye, and to set ourselves apart from others by ensuring that the needs of the customers are catered for by introducing new products and services to meet the needs of our diversified client portfolio.

MCB has a robust compliance policy to ensure that the organization it is not exposed to operational and reputational risks and interest of the customer is protected.

The integrity of employees and the culture of the organization are the major drivers of conduct in the financial services industry. The blend of these two helps in development of a proactive ethical culture that is clearly evidenced from the practices that the Bank follows and the same is critical in setting standards. Learning and Development of the employees plays a vital role in inculcating an ethical corporate culture.

During 2017, the Bank was amongst the sponsors of the launch of Drama Serial "Dhund" by National Accountability Bureau (NAB) which was aimed at creating awareness against corruption. Later during the year, the Bank contributed to observe and support the "Anti Corruption Day 2017" in collaboration with NAB.

Contribution to National Exchequer

MCB Bank has the highest market capitalization in the banking industry. In 2017 the Bank paid PKR 7.72 billion as income tax to Government Treasury and contributed approx. PKR 13 billion to the national exchequer as withholding tax agent under different provisions of Income Tax Ordinance 2001.

The contribution by the Bank to the national economy by way of value addition was PKR 45.5 billion, out of which around PKR 12.4 Billion was distributed to employees and PKR 18.7 billion to shareholders.

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

Rural Development Program

MCB Bank, being one of the major five banks of the country has seamlessly been aligned with the national objectives pursued

by the Government and SBP and is playing vigorously its role to support Agriculture Sector of Pakistan for continuous progress and development. It has extended financing support to backward and forward linkages in the value chain and a large number of farmers have availed financing facilities for input and non-farm related credit needs. The farm mechanization is highly encouraged by MCB Bank since inception to empower farmers with needed technology to get best output of his land and be instrumental to grow more for bringing about a new phase of green revolution. The special feature is the competitively lower markup rate.

MCB Bank extends all types of credit facilities to address the needs pertaining to both farm and non-farm activities of the farmers. Agriculture credit facilities are extended through 260 Agri Lending Branches all over Pakistan. MCB Bank encourages progressive farmers for farm mechanization as well as for their non-farm initiatives involving technology. The machinery and equipment are financed by extending credit on easy installments mainly for tractor and its implements. A special arrangement is made with tractor manufacturers to achieve this objective. Poultry, dairy and fisheries sector are also being extended all types of credit facilities.

MCB Bank is committed to enlarging the scope of financial inclusion by extending Agri credit facilities and enhancing the knowledge and

understanding of banking business especially of the people of less developed regions of the country. Field officers have conducted around 400 financial literacy programs to enhance awareness of the farming community. Moreover, to augment financial inclusion objective, credit lines are made available to NGOs for facilitating farmers for micro credit need. MCB Bank has 422 rural branches (excluding sub branches) that offer customized product menu to suit and meet the requirements of the locals encompassing all type of banking needs including Agri credit.

Due to advent of emerging technologies, the financing need of farmers is continuously undergoing change of pattern with focus gradually shifting from farm towards non-farm. Accordingly, MCB Bank has revamped its financing infrastructure, reviewed policies and equipped its staff for dedicated focus to meet evolving financing requirements and to strengthen ever green relationship with farmers across the country. The number of Agri lending branches and officers has been significantly increased across Pakistan. Special attention is also being given to areas which remained underserved during the recent past on account of various factors and are identified to be in need of financial inclusion. The Bank will continue to explore possibilities and also partner with NGOs/MFBs and other organizations for ensuring extended outreach of finance to the small farmers and households.

Human Resource Management and Succession Planning

HRMG as a strategic partner of the Business Groups aims at providing the best talent in the market for helping them achieve their targets. HR further strengthens resources by providing them with relevant trainings to equip them to handle their jobs in an effective manner. We strive to create a positive employee environment, and clearly communicate these expectations in the HR philosophy and mission. The most effective philosophies focus on fostering innovation and collaboration.

By inducting, developing and retaining staff throughout the year, HRMG has been very actively involved in the Bank's success during 2017 and has undertaken many projects to contribute towards growth of employees as well as the institution.

Merger of NIB Bank into MCB Bank

The bank successfully integrated Ex-NIB Bank Limited with and into MCB Bank in a seamless manner with minimal disruption. The bank took over all on board employees of Ex-NIB Bank Limited within a short period of time, as allowed by the State Bank of Pakistan. HRMG in collaboration with the senior management took the initiative of arranging open house forums to address the question of Ex-NIB employees and provided them with a warm welcome to the MCB family.

Talent Acquisition & Induction

Employment letters were issued to over 2200 successful applicants, which helped in closing the year at a higher active head count than the previous year's closing. Talent Acquisition division of HRMG adopted the approach of expanding its reach to optimize sourcing in remote regions and hence made pioneer visits to Attock, Bahawalpur, Quetta, Makran, DG Khan, Vehari, Jhang, Sheikhpura, Sargodha and Mardan. Management Trainee Officer program was initiated and over 40 MTOs were inducted during the year 2017.

Learning & Development

People Development is the focal point of HR activities and involves continuous efforts to develop the skills of the employees at all levels. The Bank is committed 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.

Regular training programs are being offered to employees at different levels. These programs cover a large array of technical and management development aspects and are broadly divided into following categories:

- In-house trainings
- External trainings
- Overseas trainings
- Induction trainings
- Certification programs

Organizational Development and Succession Planning

Compliance with the organizational structures policy ensures alignment of job roles with needs. We have 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. Focus is also maintained on succession management via development and retention of high potential employees so as to create a talent pool from which to fill key positions in the organization. This is a continuous process that involves identification, assessment and development of talent, which in turn ensures that the organization's management is able to keep up with the changing business environment. In order to ensure business continuity in case of attrition and change of responsibility HRM periodically updates this document regularly.

Equal Opportunity Employer

MCB being an equal opportunity employer is committed to create a congenial and efficient work environment in which the employees are assured a non-discriminatory, transparent, harassment free and respectful atmosphere regardless of their cast, creed, religion and gender. The Bank 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. HRMG aims to work as a key strategic partner to all businesses (field and support both) and add value in terms of contribution of human capital.

Managing Conflict of Interest

Overview:

A director owes certain fiduciary duties, including the duties of loyalty, diligence, and confidentiality, to Bank which require that a director must act in good faith in order to promote the objects of the Bank for the benefit of its members as a whole, and in the best interests of the Bank, its employees the shareholders the community and for the protection of environment.

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

A director of the Bank shall not involve in a situation in which he/she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank and also not achieve or attempt to achieve any undue gain or advantage either to him/herself or to his/her relatives, partners, or associates.

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.

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.

Managing Conflict of Interest

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.

Related Party Transactions:

The Bank has devised a mechanism for identification of related parties and execution of related party transaction at arm's length, which are executed in the normal course of business. Based on the statutory requirements, complete transactional details of related parties are presented before the Audit Committee for review and deliberations on a quarterly interval. The Audit Committee reviews and recommends the related party transactions to the Board for its approval.

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

Exposure in Companies where Directors are Interested:

The Bank takes exposure in the companies in which directors (including their spouses, parents, and children) hold key management positions, or are interested as partner, director or guarantor, or shareholders holding 5% or more of the share capital of that concern, with the approval of the majority of the directors excluding the director concerned. The facilities to the persons mentioned above shall be extended at market terms and conditions and be dealt with 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.

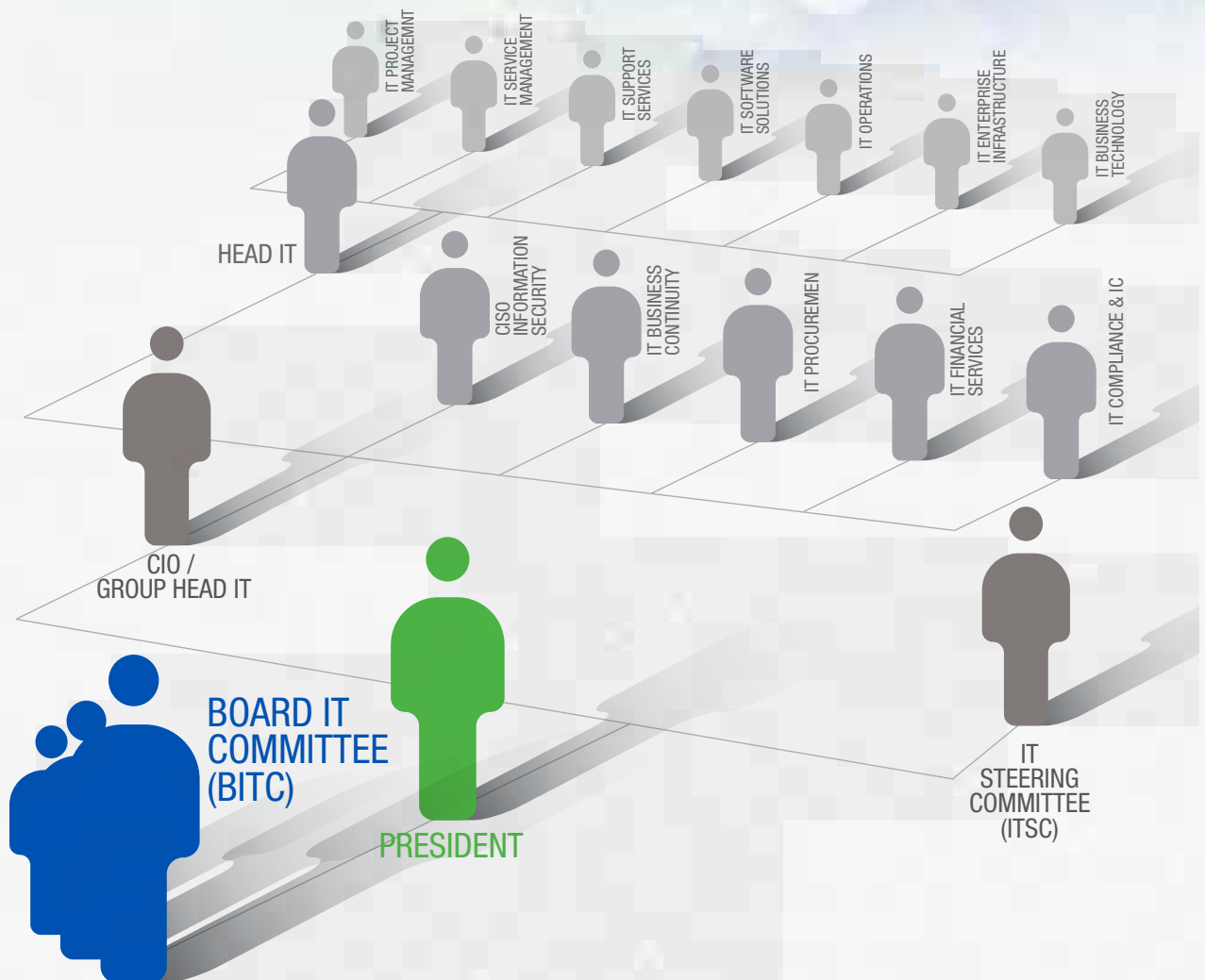
Social and Environmental Responsibility

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

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 as 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.

Whistle Blowing Policy

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 endeavour 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 2017 was 20.

Record Management Policy

Record management is a systematic and effective control over creation, distribution, use, maintenance, and disposition of organization's physical and electronic 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.

MCB Bank has put in place comprehensive guidelines for the management and control of its record. These guidelines outline the processes for handling, protection, retention, retrieval, and disposition of recorded information in a consistent, efficient and reliable manner.

The recorded information is given a retention schedule that documents how the record will be identified, classified and retained. The retention schedule also provides standards to manage record based on various categories and retention period. In its endeavour to comply these comprehensive guidelines in true letter and spirit, bank is on its way to achieve subsequent milestones of policy guidelines.

Stakeholder Engagement

In achieving and entrenching its integrated approach to sustainability, MCB Bank takes a highly collaborative approach towards ensuring maximum interaction with, and input by all its stakeholders.

At MCB, stakeholder engagement involves far more than merely communicating with its various stakeholder groups. The Bank regards its stakeholders as partners and makes every effort to use all possible mediums to ensure that they are abreast with disclosures, aware of forums to provide valuable input and feedback that can help the Bank to grow, strengthen relations and meet expectations to serve better.

The following tables provide an overview of stakeholder engagements at MCB Bank

Stakeholders	Reasons for engagement	Frequency of engagement	Methods of engagement
Employees	<ul style="list-style-type: none"> - To ensure that we remain an employer of choice by providing a safe, positive and inspiring working environment - To understand and respond the needs and concerns of our staff members - To educate our staff regarding strategic direction and to communicate the pertinent information relating to bank activities 	<ul style="list-style-type: none"> - Ongoing and daily engagement at all levels of the Bank - As and when required by staff members 	<p>In addition to the regular communication that takes place with direct managers and teams through a range of interactive channels, specific employees engagement include:</p> <ul style="list-style-type: none"> - Regular electronic and printed newsletters - Compliance letters - Annual conference - Strategy sessions - One Bank, One Team sessions with senior management
Customers	<ul style="list-style-type: none"> - To understand the growing financial services needs of our customers - To provide better solution and advice to our customers' financial requirements - To ensure accuracy of our customers respective information 	<ul style="list-style-type: none"> - Regular interaction of customers with our branch staff - Dependent on customers' specific requirements - Introduction / launching of New products 	<p>Interaction through our branches, relationship managers, call centers, social media, surveys and various advertising activities</p>
Institutional Investors/ Shareholders/ Analysts	<ul style="list-style-type: none"> - To deliver relevant and timeous information to existing and potential shareholders - To keep shareholders posted to ensure that our shares are traded at a fair value - To ensure that the image of the bank and the trust placed in by our valuable shareholders, continues to improve, thereby minimizing the potential for reputational risks 	<ul style="list-style-type: none"> - Formally, four times a year at the release of year-end, half year, first- and third-quarter results - As requested by the analysts and investors 	<ul style="list-style-type: none"> - Annual General Meeting - Participation in local and international road shows - Press releases - Communications and answering investor / analyst questions
Regulator	<ul style="list-style-type: none"> - To maintain open, honest and transparent relationships with regulator - To ensure meticulous compliance with legal and regulatory requirements 	<ul style="list-style-type: none"> - Daily, weekly, quarterly and as required by regulator 	<p>These include meetings with representative of regulator and written communications on need basis</p>
Communities	<ul style="list-style-type: none"> - To have best collaboration with our community for delivering our social responsibilities - To obtain input from communities regarding key focus areas - To create awareness of our integrated sustainability commitments and initiatives 	<ul style="list-style-type: none"> - Dependent on events, requirements and on request from either side 	<p>Consistent support for community development projects and interaction with a wide range of non-profit organizations</p>
Government	<ul style="list-style-type: none"> - To build strong and constructive relationship with government, both as a partner in the development of our country and as a current / potential client - To contribute in legislative development for evolution in our activities and operations - To endorse our commitments for public sector business development 	<ul style="list-style-type: none"> - As and when considered necessary or on request by either side 	<p>This include meetings with representative of Government bodies</p>
Media	<ul style="list-style-type: none"> - To acknowledge the role of media as a channel to communicate with relevant stakeholders and public at large 	<ul style="list-style-type: none"> - Frequent interaction with print and electronic media 	<p>Advertisements through print, electronic, social media, website, interviews and capacity building seminars</p>

Code of Conduct

- 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 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.

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.

Conflict of Interest

- Avoid all such circumstances in which there is personal conflict of interest, or may appear to be in conflict, with the interest of the Bank or its customers.
- In case of potential conflict of interest, the same should be declared immediately to senior management, action is taken to resolve and manage it in open manner and resolving the conflict of interest on their own would be avoided.
- Report to the Company Secretary within three (3) days about any sale and purchase of MCB shares (own or spouse) in case the annual basic salary exceeds Rs. 500,000/-.
- Not buy, sell or take position in any manner regarding MCB Bank shares during Closed Period, as announced by Company Secretary.

Relatives and close friends

- Avoid conflict of interest arising, where an employee makes or participates in a decision which affects another person with whom one has a personal relationship (such as a relative, parent, spouse, cousin, close friend or personal associate). In cases where a conflict may arise, employees must advise their immediate line manager. Wherever possible, employees should disqualify themselves from dealing with those persons in such situations.

Political Participation

- Not obtain membership of any political party, or take part in, subscribing in aid of, or assist in any way, any political movement in or outside of Pakistan or relating to the affairs of Pakistan.
- Not express views detrimental to the ideology, sovereignty or integrity of Pakistan.

Code of Conduct

- Not canvass or otherwise interfere or use influence in connection with or take part in any election as a candidate to a legislative/local body or issue an address to the electorate whether in Pakistan or elsewhere. However, the right to vote can be exercised.
- Not bring or attempt to bring political or other pressure/ influence directly or indirectly to bear on the authorities/ superior officers or indulge in derogatory pamphleteering, contribute, or write letters to the newspapers, anonymously or in own name contribute or appear in media, with an intent to induce the authority/ superior officers to act in a manner inconsistent with rules, in respect of any matter relating to appointment, promotion, transfer, punishment, retirement or for any other conditions of service of employment.

Financial Interest

- Not indulge in any of the following activities without prior permission of competent authority (GH – HRM for VP & below and President for SVP & Above):
- Borrow money from or in any way place myself under pecuniary obligation to a broker or moneylender or anyone, including but not limited to any firm, company or person having dealings with the Bank.
- Buy or sell stock, shares or securities of any description without funds to meet the full cost in the case of purchase or scripts for delivery in the case of sale. However, a bona-fide investment of own funds in such stocks, shares and securities as wished can be made.
- Lend money in private capacity to a constituent of the Bank or have personal dealings with a constituent in the purchase or sale of bills of exchange, Government paper or any other securities.
- Act as agent for an insurance company otherwise than as agent for or on behalf of the Bank.
- Be connected with the formation or management of a joint stock company or hold office of a director.
- Engage in any other commercial business or pursuit, either on own account or as agent for another or others.
- Engage in any outside employment or office whether stipendiary or honorary during my employment with MCB Bank.
- Undertake part-time work for a private or public body or private person, or accept fee thereof.
- Any kind of trading advice concerning the securities of MCB Bank or to third parties even when such director, officer or employee does not possess material nonpublic information about MCB Bank.
- In reviewing or approving a loan application from a

corporation wherein holding office as director, partner or guarantor.

Gift, Favors Etc.

- Not use the employment status to seek personal gain from those doing business or seeking to do business with MCB, nor accept such gain if offered.
- Not accept any gift, favors, entertainment or other benefit the size or frequency of which exceeds normal business contacts from clients, stakeholders, colleagues of the Bank or from persons likely to have dealings with the Bank including candidates for employment in the Bank.
- Reporting in writing to immediate supervisor within three working days in case any sizeable gift / favor is received from any third parties.

Confidentiality

- Maintain the privacy and confidentiality (during the course of employment and after its termination for whatever reason), of all the information acquired during the course of professional activities and refrain from disclosing the same unless otherwise required by statutory authorities / law. Inside information about Bank's customers/affairs including customer data, product manuals, confidential financial and business information of the Bank etc., shall not be used for own gain or for that of others either directly or indirectly.
- Not trade in relevant investments or indulge in giving tips to another person or dealing on behalf of relatives, friends or any other third parties, whilst in possession of non-public price sensitive information.
- Not disclose to a customer or customers or to any irrelevant quarter(s) that a suspicious transaction or related information is being reported for investigation unless any law enforcement agency requires any lawful information. (Only authorized representatives can pass on information to Law enforcing agencies after obtaining clearance on information content from relevant GH / BH(for RBG) and LAG representative).

Data Security

- Only access or update the system and data according to the authority given by the Bank. Any unauthorized access or updation will hold the person liable for a penal action by the Bank in accordance with HR policies.
- Not compromise access to system by communicating identification and /or passwords to others.
- Ensure that material non-public information is secure. Not discuss such information in public places where it can be overheard, such as elevators, restaurants, taxis and airplanes.

Code of Conduct

Communication / Contact with Media

- Be truthful in all advertisements and promotional efforts and to publish only accurate information about the Bank operations under valid authority as prescribed in the Bank policy.
- Not give any kind of confidential information or interview on behalf of the Bank or in my official capacity in the print/electronic media or road / talk shows or participate or act in television/stage plays or in any media or cinema without having permission from the Head of Corporate Communication & GH - HRM.

Speak Up

- To inform line management & HR of any perceived wrong doing / malpractice at any level, as an obligation to report it under the Bank whistle blowing program / policy.

Business / Work Ethics

- Respect fellow colleagues and work as a team. To be, at all times, courteous and not to let any personal differences affect work.

Customer Centricity

- Treat every customer of the Bank with respect and courtesy.
- Be responsive to customer complaints, and to feedback on products and services.
- Provide relevant, complete and clear information to customers to the best of one's knowledge.
- Sell products or services to customers that are within the legitimate scope of one's job.
- Remain update with the latest products of the Bank, and provide all relevant information to the customers.

Personal Responsibility

- Safeguard as a personal responsibility, both the tangible and intangible assets of MCB and its customer(s) that are under personal control and not to use Bank assets for personal benefits except where permitted by MCB.
- Not use any Bank facilities including a car or telephone to promote trade union activities, or carry weapons into Bank premises unless so authorized by the management, or to carry on trade union activities during office hours, or in banking premises, or subject Bank officials to physical harassment or abuse.

Punctuality

- Ensure attendance and punctuality as per HR policies, departmental requirements & job standards and for any absence during working hours obtain written permission of

the immediate supervisor.

Dress Code

- Maintain a standard of personal hygiene / neatness and follow MCB Bank dress code policy in true spirit to promote a professional work environment during office hours.

International Travel

- Be culturally sensitive to the socio-cultural norms of the host country.
- Represent Country and organization by conforming to high standards of personal and professional ethics at all times.

Work Environment

- Cooperate in maintaining a healthy and productive work environment and not get engaged in the selling, manufacturing and distributing using any illegal substance or being under the influence of illegal drugs or alcohol while on the job.
- Ensure strict adherence to all policies of the Bank, as announced by the management from time to time and contribute utmost effort in maintaining a conducive work environment.

Usage of Communication Tools

- Ensure strict adherence to the use of internet, emails and telephone provided by the Bank for official use only.
- Never use the Bank system to transmit or receive electronic images or text containing ethnic slurs, social epithets or anything that might be construed as harassing, offensive or insulting to others.
- Never utilize Bank system to disseminate any material detrimental to the ideology, sovereignty or integrity of Pakistan.
- Never indulge and /or utilize the Bank system for supporting any terrorist activity within and / or outside Pakistan.

Reporting and Accountability

- Maintain all books, data, information and records with scrupulous integrity, reflecting in an accurate and timely manner and to ensure that all business transactions are reported and documented correctly according to the business practices.

Ensure facts are not misinterpreted / misused /tampered pertaining to:

- Issuing an incorrect account statement / any other information for any customer or fellow employees / management.

Code of Conduct

- Placing a fake claim for reimbursement of any expenses (including medical insurance).
- Unrecorded or recorded funds / assets or any other Bank's documents.
- Posting of false, artificial or misleading entries in the books or record of the Bank.
- Intimate line management and HRM of any changes in the personal circumstances relating to service tenure and other related benefits, provided by the Bank.

Ethics for working with Female Employees

Gender Discrimination In Employment Training / Promotion

- Ensure adherence to the guidelines of MCB Bank's non-discrimination on the basis of gender which limits the individual's right of recruitment, future training, promotion and any other related benefits.

Zero Tolerance for Favoritism or Discrimination

- Not be a part of any undue favor / discriminatory advantage to any colleague / subordinate staff.

Personal Space

- No right to intrude on the personal space / close proximity of any staff particularly females.

Female Staff/Employee Privacy

- Recognize that female staff have more privacy and sensitivity needs in keeping with our cultural norms. Therefore, behaviour towards them must reflect that sensitivity, respect and consideration.

Harassment Against Women

- Any type of harassment is not acceptable at MCB Bank. Harassment occurs when someone's actions or words, based on gender, race, sexuality, caste, creed, and color are unwelcome, violate another person's dignity and creates a hostile environment. (Reference to HR Policy Manual section 6, 6.2.5, Protection against harassment of women at the workplace Act, 2010)
- Accordingly, not engage in harassment in any form. It may include objectionable epithets, threatened or actual physical harm and intimidating conduct directed against the individual that negatively affects the performance and well-being of an individual.

Sexual Harassment

- Keeping in mind the Bank's policy with reference to the Protection against harassment of Women at the Workplace Act, 2010, adherence to all guidelines given by the Bank.

Communication

- Not send sexually explicit or offensive communications and respect the privacy of fellow employee especially female employees. Following factors should be adhered to in order to maintain effective communication and ethical standards:
 1. Not send any electronic mail that is abusive or threatens the safety of an Individual(s).
 2. Always use a professional tone in all official communications.
 3. Be careful when using sarcasm and humor

Workplace bullying

Refrain from any form of Workplace bullying:

- Shouting or swearing at an employee or otherwise verbally abusing him / her.
- Singling out an employee for excessive criticism/public humiliation.
- Excluding an employee from company activities and undermining his / her work contributions.
- Language or actions that embarrass or humiliate an employee.
- Inappropriate practical jokes, especially if they are targeted.

Insider Trading

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

Statement on Internal Controls

The internal control structure of MCB Bank Limited (Bank) comprises the Board of Directors, Senior Management, Risk Management Group, Financial Control Group, Operations Group, Compliance & Controls Group, Audit & Risk Assets Review (Audit & RAR) Group, Internal Control Units (ICUs) within all Groups and the controls & self-assessment procedures implemented at other functions within the Bank. The Bank's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures under the policies approved by the Board. The management is also responsible for evaluating effectiveness of the Bank's internal control system that covers material matters through identification of control objectives as well as review of significant policies and procedures.

Bank's internal control system has been designed to identify and mitigate the risk of failure to achieve overall business objectives of the Bank. Internal controls and policies are designed to provide reasonable assurance regarding the effectiveness and efficiency of the Bank's operations, reliability of financial information and compliance with applicable laws & regulations. However, it needs to be stated that systems are designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Bank has adopted the Integrated Framework on Internal Controls issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and has completed all the stages as set out in the roadmap provided by the State Bank of Pakistan (SBP) through the Guidelines on Internal Controls. Bank's assessment included documenting, evaluating and testing of the design and operating effectiveness of its Internal Controls over Financial Reporting (ICFR). Bank has developed a management testing and reporting framework for monitoring ongoing operating effectiveness of key controls.

Concerted efforts are made by every Group to improve the control environment at grass root level by regularly reviewing and streamlining procedures to prevent and rectify control lapses as well as imparting training for improvement at various levels. Compliance & Controls Group (CCG), through its Regional Compliance Officers (RCOs) and centralized automated AML monitoring solution, also oversees adherence to the regulatory requirements, with specific emphasis on Anti-Money Laundering (AML) / Combatting the Financing of Terrorism (CFT). In addition, CCG also leads the Management's Committee on AML/CFT for oversight of AML/CFT compliance with respect to relevant laws, regulations, policies and procedures.

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

All significant and material findings of the internal and external auditors as well as observations of the regulators are addressed on priority by the management and their status is reported periodically to the Board's Audit Committee and the Board's Compliance Review & Monitoring Committee respectively, which ensured that the management took appropriate corrective actions and put in place a system to minimize repetition for strengthening of the control environment.

A separate Issues Tracking & Monitoring (ITAM) structure with membership comprising of senior management is also in place. Periodic meetings of management sub-committees formed for this purpose are held with the goal to expedite the resolution/compliance of issues identified by the Regulators, Statutory Auditors as well as Audit & RAR Group. The Management Committee chaired by the Bank's President / Chief Executive Officer monitors the performance of sub-committees on annual basis.

In accordance with SBP's directives and as stated earlier, the Bank has completed all stages of ICFR roadmap and a Long Form Report (LFR) on the assessment of Bank's ICFR for the year 2016 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
Group Head
Compliance and Controls



Kamran Zaffar Muggo
Group Head
Operations



Salman Zafar Siddiqi
Chief Financial Officer



Muhammad Farooq Wasi
Group Head
Audit & Risk Assets Review

Statement of Compliance with the Code of Corporate Governance

MCB Bank Limited

For the year ended December 31, 2017

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

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

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

Category	Names
Independent Directors	1. Mr. Ahmad Alman Aslam
	2. Mr. Samir Iqbal Saigol
	3. Mr. Irfan Ahmed Hashmi

Executive Director	1. Mr. Imran Maqbool
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Non-Executive Directors	1. Mian Mohammad Mansha
	2. Mr. S. M. Muneer
	3. Mr. Tariq Rafi
	4. Mr. Shahzad Saleem
	5. Mian Umer Mansha
	6. Mrs. Iqraa Hassan Mansha
	7. Mr. Mohd Suhail Amar Suresh
	8. Mr. Muhammad Ali Zeb
	9. Mr. Nor Hizam Bin Hashim

The Independent Directors meet the criteria of independence under clause 5.19.1. (b) of the Rule Book of PSX.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including the Bank (excluding the listed subsidiaries of the Bank).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year 2017.
5. The Bank has prepared a *Code of Conduct* for employees and *Code of Conduct & Ethical Standards for Directors* and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has approved a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive directors, have been taken by the Board/Shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by the Vice Chairman or a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members either have minimum education and experience, as required for exemption from Directors' Training Program or have already completed Directors' Training Program pursuant to Clause 5.19.7 of the Rule Book of PSX. However, two newly appointed directors in financial year 2016 will meet the training requirement within the stipulated time frame.

Statement of Compliance with the Code of Corporate Governance

MCB Bank Limited

For the year ended December 31, 2017

10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The Financial Statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of four non-executive directors and is chaired by an Independent Director.
16. The meetings of the Audit Committee were held at least once every quarter, prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource & Remuneration Committee. It comprises of four members including the CEO, two including the Chairman are non-executive directors, whereas, one is an Independent Director.
18. The Board has set up an effective internal audit function which is staffed by suitably qualified and experienced persons for the purpose and conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan ("ICAP"), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. The Board has reviewed and approved related party transactions recommended by the Board's Audit Committee. The regulations under Section 208 of the Companies Act, 2017 have not yet been announced, accordingly, the Bank has applied the related party requirements in line with the earlier practice.
25. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors



Imran Maqbool
President & CEO
MCB Bank Limited



Muhammad Ali Zeb
Director
MCB Bank Limited

February 15, 2018
Lahore

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of MCB Bank Limited for the year ended December 31, 2017 to comply with the requirements contained in regulation No. 5.19 of the Rule Book of Pakistan Stock Exchange Limited where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As a part of our audit of 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 Director's 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 Code requires 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 of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of the 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 any procedures to determine 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 best practices contained in the Code as applicable to the Bank for the year ended 31 December 2017.



KPMG Taseer Hadi & Co.
Chartered Accountants
M. Rehan Chughtai

February 15, 2018
Lahore

Report of the Audit Committee

The Audit Committee comprises four (4) non-executive directors including two Independent Directors, one being Chairman of the Audit Committee. Further, two qualified chartered accounts 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 multinationals and large corporate entities, operating in both banking and non-banking sectors. Moreover, the Chairman of the Audit Committee has four decades of professional experience in investment banking, corporate finance and advisory services. Chairman of the Audit Committee has served in a global financial institution for 28 years. He has also served on the Boards of the State Bank of Pakistan (SBP), OGDC, Adamjee Insurance, IGI Asset Management, Punjab Coal Mining Company, The Bank of Punjab, Punjab Small Industries Corporation and the Private Power & Infrastructure Board.

The Group Head Audit & RAR reports directly to the Board's Audit Committee. The Committee ensures staffing of the internal audit function with personnel of sufficient internal audit knowledge and experience, and that the function is equipped with the necessary resources and authority to execute their responsibilities independently and objectively.

Audit Committee remained actively engaged in the review of the Bank's financial statements as well as audit activities in accordance with the requirements of Code of Corporate Governance and the Charter of the Audit Committee, duly approved by the Board of Directors. Audit Committee held five (5) meetings, during the year 2017, on the following agenda items:

- Review of the Bank's periodic financial statements, including disclosure of related party transactions prior to their approval by the Board of Directors (BOD).
- Review of status of compliance against observations highlighted by internal and external auditors, including regular updates on the rectification actions taken by the management in response to the audit findings.
- Review of status of implementation of decisions of BOD and its Sub-Committees. Review of significant issues highlighted by internal auditors during audits/reviews of branches and other functions of the Bank.
- 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 of Quality Assurance & Framework Development Department.
- Review of resolution status of complaints lodged under the Bank's Whistle Blowing Program.
- Review and recommendation to the Board for appointment of new Group Head – Audit & RAR.
- Review & approval of Audit Group's increments, bonuses and promotions.
- Review of progress on action plan formulated to implement the recommendations of the Quality Assurance & Functional Performance Report of Audit & RAR Group issued by Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants.
- Review of progress on Audit Group's Strategic Initiatives and Milestones.
- Recommendation of scope and appointment of external auditors, including audit and consultancy fee. Audit Committee further ensured coordination between internal and external auditors.

Report of the Audit Committee

- In addition to the above, the Committee also reviewed and recommended the following to the Board:
 - Internal Audit Policy (version 7.0);
 - Internal Audit Policy for Wholesale Banking Operations – UAE (version 3.0);
 - Internal Audit Manual (version 6.0);
 - Amendments in Terms of Reference of the Committee in line with Listed Companies (Code of Corporate Governance) Regulations, 2017.
 - Statement on Internal Control Systems prior to endorsement by the Board.

Internal Control Framework and Role of Internal Audit

The Bank's internal control structure comprises the Board of Directors, Senior Management, Risk Management Group, Compliance & Controls Group, Financial Control Group, the controls and self-assessment procedures implemented at other functions within the Bank; and Audit & RAR Group. 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.



Ahmad Alman Aslam
Chairman Audit Committee
MCB Bank Limited

February 14, 2018
Lahore



A Passionate Life

Unconsolidated Financial Statements 2017

Auditors' Report To The Members

We have audited the annexed unconsolidated statement of financial position of MCB Bank Limited ("the Bank") as at December 31, 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flow and unconsolidated statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for fifty branches, which have been audited by us and ten branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flows and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2017 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



Date: February 15, 2018
Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants
M. Rehan Chughtai

Unconsolidated Statement of Financial Position

As at December 31, 2017

	Note	2017	2016
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	106,072,084	74,222,347
Balances with other banks	7	4,579,275	4,343,841
Lendings to financial institutions	8	4,398,114	2,809,752
Investments - net	9	656,963,632	555,928,553
Advances - net	10	469,355,849	348,116,617
Operating fixed assets	11	39,573,932	32,752,672
Deferred tax assets - net		-	-
Other assets - net	12	46,368,154	33,639,899
		1,327,311,040	1,051,813,681
LIABILITIES			
Bills payable	14	22,680,667	12,843,552
Borrowings	15	133,069,556	74,515,383
Deposits and other accounts	16	968,482,635	781,429,823
Sub-ordinated loan	17	3,892,578	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	18	4,625,035	11,260,215
Other liabilities	19	40,994,232	30,138,083
		1,173,744,703	910,187,056
NET ASSETS		153,566,337	141,626,625
Represented by			
Share capital	20	11,850,600	11,130,307
Reserves	21	70,866,473	53,346,861
Unappropriated profit		53,776,057	53,469,072
		136,493,130	117,946,240
Surplus on revaluation of assets - net of tax	22	17,073,207	23,680,385
		153,566,337	141,626,625
Contingencies and commitments	23		

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



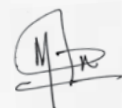
Imran Maqbool
President and Chief Executive



Salman Zafar Siddiqi
Chief Financial Officer



Samir Iqbal Saigol
Director



Muhammad Ali Zeb
Director



Irfan Ahmed Hashmi
Director

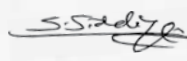
Unconsolidated Profit and Loss Account

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
Mark-up / return / interest earned	25	74,090,972	67,400,294
Mark-up / return / interest expensed	26	31,684,058	23,586,203
Net mark-up / interest income		42,406,914	43,814,091
Provision / (reversal) for diminution in the value of investments - net	9.3	3,570,201	(647,356)
Provision / (reversal) against loans and advances - net	10.4.2	(2,896,887)	1,300,989
Bad debts written off directly	10.5.1	14	18
		673,328	653,651
Net mark-up / interest income after provisions		41,733,586	43,160,440
Non mark-up / interest income			
Fee, commission and brokerage income		9,353,983	7,639,750
Dividend income		1,941,452	1,456,326
Income from dealing in foreign currencies		1,302,826	911,520
Gain on sale of securities - net	27	4,746,658	5,677,010
Unrealized gain / (loss) on revaluation of investments classified as held for trading	9.5	(5,652)	1,622
Other income	28	620,854	488,479
Total non mark-up / interest income		17,960,121	16,174,707
		59,693,707	59,335,147
Non mark-up / interest expenses			
Administrative expenses	29	27,353,543	22,073,702
Other provision - net	12.3	562,827	271,151
Other charges	30	763,129	915,604
Total non mark-up / interest expenses		28,679,499	23,260,457
Extra ordinary / unusual item		-	-
Profit before taxation		31,014,208	36,074,690
Taxation - Current year		3,609,900	12,386,090
- Prior years		(2,175,828)	1,675,794
- Deferred		7,121,235	121,910
	31	8,555,307	14,183,794
Profit after taxation		22,458,901	21,890,896
Basic and diluted earnings per share - after tax	33	19.56	19.67

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


Imran Maqbool
President and Chief Executive


Salman Zafar Siddiqi
Chief Financial Officer


Samir Iqbal Saigol
Director


Muhammad Ali Zeb
Director


Irfan Ahmed Hashmi
Director

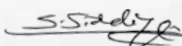
Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2017

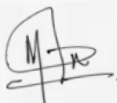
	2017	2016
	(Rupees in '000)	
Profit after tax for the year	22,458,901	21,890,896
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans - net of tax	(1,574,891)	780,437
Items that may be reclassified to profit and loss account		
Effect of translation of net investment in foreign branches	316,819	(151,310)
Comprehensive income transferred to equity	21,200,829	22,520,023
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	(10,080,046)	(4,091,643)
Deferred tax	3,528,016	1,429,039
	(6,552,030)	(2,662,604)
Total Comprehensive income	14,648,799	19,857,419

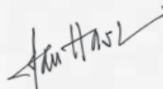
The annexed notes 1 to 46 and Annexures I to III form an integral part of these unconsolidated financial statements.


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Unconsolidated Cash Flow Statement

For the year ended December 31, 2017

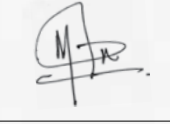
	Note	2017	2016
(Rupees in '000)			
Cash flows from operating activities			
Profit before taxation		31,014,208	36,074,690
Less: Dividend income		(1,941,452)	(1,456,326)
		29,072,756	34,618,364
Adjustments for non-cash items			
Depreciation	11.2 & 29	1,759,235	1,601,762
Amortization	11.3	243,529	366,153
Provision / (reversal) against loans and advances - net	10.4.2	(2,896,887)	1,300,989
Provision / (reversal) for diminution in the value of investments - net	9.3	3,570,201	(647,356)
Other provision - net	12.3	562,827	271,151
Bad debts written off directly	10.5.1	14	18
Provision for Workers' Welfare Fund	30	620,284	721,494
Charge / (reversal) for defined benefit plan - net	29	(144,497)	(98,645)
Operating fixed assets written off	30	13	-
Unrealized (gain) / loss on revaluation of investments classified as held for trading	9.5	5,652	(1,622)
Gain on sale of shares in associate		(685,593)	(488,135)
Gain on disposal of fixed assets - net	28	(19,939)	(44,718)
		3,014,839	2,981,091
		32,087,595	37,599,455
(Increase) / decrease in operating assets			
Lendings to financial institutions		(1,588,362)	269,812
Net investments in 'held for trading' securities		112,913	217,155
Advances - net		(49,070,558)	(45,158,914)
Other assets - net		(2,302,623)	3,091,316
		(52,848,630)	(41,580,631)
Increase / (decrease) in operating liabilities			
Bills payable		6,898,925	954,776
Borrowings		33,326,416	(43,187,353)
Deposits and other accounts		105,311,968	84,624,894
Other liabilities		4,391,352	(290,314)
		149,928,661	42,102,003
		129,167,626	38,120,827
Defined benefits paid		(329,179)	(349,919)
Income tax paid		(7,720,604)	(16,178,039)
Net cash flows from operating activities		121,117,843	21,592,869
Cash flows from investing activities			
Net investments in 'available for sale' securities		(80,857,270)	14,689,766
Net investments in 'held to maturity' securities		(4,217,188)	(8,683,147)
Net cash inflow on amalgamation		14,268,116	-
Proceeds from divestment in associate		782,817	589,075
Proceeds from demerger scheme		-	5,901,988
Dividends received		1,635,740	1,429,129
Investments in operating fixed assets		(4,744,593)	(3,484,633)
Sale proceeds of property and equipment disposed off		36,432	600,641
Net cash flows from investing activities		(73,095,946)	11,042,819
Cash flows from financing activities			
Redemption of Subordinated loan		(779)	-
Dividend paid		(17,201,874)	(17,760,058)
Net cash flows from financing activities		(17,202,653)	(17,760,058)
Exchange differences on translation of net investment in foreign branches		316,819	(151,310)
Increase / (decrease) in cash and cash equivalents		31,136,063	14,724,320
Cash and cash equivalents at beginning of the year		77,366,130	63,967,774
Effects of exchange rate changes on cash and cash equivalents		1,040,532	(285,432)
		78,406,662	63,682,342
Cash and cash equivalents at end of the year	34	109,542,725	78,406,662

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


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Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2017


	Capital Reserves				Statutory reserve	Revenue Reserves		Total
	Share Capital	Share premium	Non-distributable capital reserve	Exchange translation reserve		General reserve	Unappropriated profit	
	(Rupees in '000)							
Balance as at December 31, 2015	11,130,307	9,702,528	-	318,484	22,688,069	18,600,000	50,746,685	113,186,073
Change in equity for the year ended December 31, 2016								
Total comprehensive income for the year ended December 31, 2016								
Profit after taxation for the year ended December 31, 2016	-	-	-	-	-	-	21,890,896	21,890,896
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	780,437	780,437
Exchange differences on translation of net investment in foreign branches	-	-	-	(151,310)	-	-	-	(151,310)
	-	-	-	(151,310)	-	-	22,671,333	22,520,023
Transactions with owners recognized directly in equity								
Final cash dividend at Rs. 4.0 per share - December 31, 2015	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - March 31, 2016	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - June 30, 2016	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - September 30, 2016	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	48,636	48,636
Transferred to statutory reserve	-	-	-	-	2,189,090	-	(2,189,090)	-
Balance as at December 31, 2016	11,130,307	9,702,528	-	167,174	24,877,159	18,600,000	53,469,072	117,946,240
Change in equity for the year ended December 31, 2017								
Total comprehensive income for the year ended December 31, 2017								
Profit after taxation for the year ended December 31, 2017	-	-	-	-	-	-	22,458,901	22,458,901
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	(1,574,891)	(1,574,891)
Exchange differences on translation of net investment in foreign branches	-	-	-	316,819	-	-	-	316,819
	-	-	-	316,819	-	-	20,884,010	21,200,829
Transactions with owners recognized directly in equity								
Final cash dividend at Rs. 4.0 per share - December 31, 2016	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - March 31, 2017	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - June 30, 2017	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - September 30, 2017	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	53,591	53,591
Transferred to statutory reserve	-	-	-	-	2,245,890	-	(2,245,890)	-
Shares issued under amalgamation scheme (note 1.1)	720,293	14,048,586	-	-	-	-	-	14,768,879
Gain on bargain purchase arising on amalgamation of NIB Bank Limited (note 1.1)	-	-	908,317	-	-	-	-	908,317
Balance as at December 31, 2017	11,850,600	23,751,114	908,317	483,993	27,123,049	18,600,000	53,776,057	136,493,130

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

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Director

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

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 1,433 branches (2016: 1,227 branches) within Pakistan and 11 branches (2016: 11 branches) outside the country (including the Karachi Export Processing Zone branch).

1.1 Business Combination - Merger of NIB Bank Limited with and into MCB Bank Limited

During the current year, the Bank completed the merger of NIB Bank Limited with and into MCB Bank Limited. This is effective from the close of business on July 07, 2017 (the effective date).

The State Bank of Pakistan (SBP), through its letter BPRD (R&P-02)/2017/14329 dated June 13, 2017, has approved the scheme of amalgamation and granted sanction order for the amalgamation of NIB Bank Limited with and into the Bank. The Committee of the Board of Directors of MCB Bank Limited (MCB), in their meeting held on December 07, 2016, approved and resolved to present the draft Scheme of Amalgamation of NIB Bank Limited (NIB) with and into MCB before the shareholders of MCB for their approval. The shareholders of MCB approved the Scheme of Amalgamation in the Extraordinary General Meeting (EOGM) held on January 23, 2017 as per the procedure provided in Section 48 of the Banking Companies Ordinance, 1962. The Bank has issued 72,029,258 ordinary shares of MCB in aggregate in favour of the shareholders of NIB on the basis of a swap ratio of 1 (one) ordinary share of MCB for every 140.043 ordinary shares of NIB Bank.

International Financial Reporting Standard (IFRS) 3, Business Combinations, requires that all identified assets (including intangible assets) and liabilities acquired in a business combination should be carried at their fair values on the acquirer's balance sheet and any intangible assets acquired in the business combination should be separately recognized and carried at their fair values. IFRS - 3 allows the acquirer a maximum period of one year from the date of acquisition to finalize the determination of the fair values of the assets and liabilities and to determine the value of any intangibles separately identified. The Bank has carried out fair valuation exercise and incorporated fair value adjustments in these financial statements.

The fair values and carrying amounts of assets and liabilities acquired are as follows:

	Carrying amounts as at July 07, 2017	Fair value and other adjustments	Fair value as at July 07, 2017
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	12,823,492	-	12,823,492
Balances with other banks	1,444,624	-	1,444,624
Investments - net	27,935,898	2,190,399	30,126,297
Advances - net	69,271,801	-	69,271,801
Operating fixed assets	2,125,300	1,940,690	4,065,990
Deferred tax assets - net	12,936,916	(3,533,442)	9,403,474
Other assets - net	6,397,184	(209,612)	6,187,572
	132,935,215	388,035	133,323,250
Liabilities			
Bills payable	2,938,190	-	2,938,190
Borrowings	24,278,649	-	24,278,649
Deposits and other accounts	81,740,844	-	81,740,844
Sub-ordinated loan	4,192,997	-	4,192,997
Other liabilities	4,495,374	-	4,495,374
	117,646,054	-	117,646,054
Net assets acquired	15,289,161	388,035	15,677,196

Details of the fair values of the net assets acquired, purchase consideration and gain on bargain purchase are as follows:

	(Rupees in '000)
Fair value of net assets acquired	15,677,196
Purchase consideration (72,029,258 MCB shares issued @ of Rs. 205.04)*	14,768,879
Gain on bargain purchase	908,317

*The fair value of the shares issued to the shareholders of the NIB Bank Limited is based on the published quoted price of the shares of the MCB Bank Limited as at July 07, 2017.

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 has not been taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 has 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 the SBP, in the acquired assets and liabilities of NIB Bank Limited against the NCR.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

1.2 Demerger of 90 branches from MCB Bank Limited

The Board of Directors in their meeting held on October 25, 2017 had approved the "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and its wholly owned subsidiary MCB Islamic Bank Limited (MIB)". The Scheme envisages transfer of banking business of ninety (90) branches of the Bank subject to the approval by the shareholders of the banks and sanction by the Honourable Lahore High Court where under the assets, rights, liabilities, operations, systems, staff, assets of back office functions and obligations of the Bank relating to banking business of these branches will be transferred to and vested in MIB. The banking business of these branches will also stand converted into Islamic banking business on the effective date pursuant to the compliance of applicable regulatory permissions.

Both the banks have filed a petition before the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under Section 279 to 283 and 285 read with other enabling provisions of the Companies Act, 2017. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on February 10, 2018.

2. BASIS OF PRESENTATION

2.1 These financial statements represent separate financial statements of MCB Bank Limited. The consolidated financial statements of the Group are being issued separately.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.

2.3 For the purpose of translation, rate of Rs. 110.4172 per US Dollar (2016: Rs. 104.5985) has been used.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International

Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions and directives given in Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its Circular No. 23 dated October 04, 2017, these unconsolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

IFRS10 Consolidated Financial Statements was made applicable from period beginning on or after 1 January 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

mutual funds established under Trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

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

During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective, however, the amendments, interpretations and improvements are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these unconsolidated financial statements.

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, 2018:

	Effective date (annual periods beginning on or after)
• IFRS 2 - Share-based Payment (amendments)	January 1, 2018
• IAS 28 - Investments in Associates and Joint Ventures (amendments)	January 1, 2018
• IFRS 9 - Financial Instruments: Classification and Measurement*	July 1, 2018
• IFRS 15 - Revenue from contracts with customers	July 1, 2018
• IAS 12 - Income Taxes - (Amendments)	July 1, 2018
• IFRS 3 - Business Combinations - (Amendments)	January 1, 2019

*IFRS 9 - Financial Instruments - The Bank is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

The State Bank of Pakistan has issued BPRD Circular No. 02 of 2018 dated January 25, 2018, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2018. The 'Revised Forms of Annual Financial Statements' have changed / added certain disclosures.

The Companies Act 2017 which is not effective on these unconsolidated financial statements, has added certain disclosure requirements which will be applicable in future.

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

4. BASIS OF MEASUREMENT

4.1 These 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.

Measurement of fair values

The Bank has an established control framework with respect to the measurement of fair values. The management regularly reviews significant observable and unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. The valuation of financial assets and financial liabilities are categorized and disclosed keeping in view the measurement requirements specified in note 3.1.

4.2 The financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand.

4.3 Critical accounting estimates and judgments

The preparation of 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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) **Provision against advances**

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in notes 10.4.4 to 10.4.7.

c) **Impairment of 'available for sale' equity investments**

The Bank determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational/financial cash flows.

d) **Taxation**

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

e) **Fair value of derivatives**

The fair values of derivatives which are not quoted

in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.

f) **Depreciation, amortization and revaluation of operating fixed assets**

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

g) **Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in Note 36 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.

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.

5.1 **Investments**

The Bank classifies its investments as follows:

a) **Held for trading**

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

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 a separate account which is shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account, currently.

Unquoted equity securities (excluding investments in subsidiaries and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements. Investments classified as 'held to maturity' are carried at amortized cost less accumulated impairment losses, if any.

Associates are all entities over which the Group has significant influence but not control. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. Investments in subsidiaries and investments in associates are carried at cost less accumulated impairment losses, if any.

Provision for impairment in the values of securities (except debentures, participation term certificates

and term finance certificates) is made currently. Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

5.2 **Sale and repurchase agreements**

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / repurchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

5.3 **Advances**

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Advances are written off when there is no realistic prospect of recovery.

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

5.4 **Operating fixed assets and depreciation**

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

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

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

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

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

5.4.1 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use, using the straight line method, whereby the cost of the intangible assets are amortized over its estimated useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

5.5 Impairment

The carrying amount of assets are reviewed at

each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.6 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:

- an approved contributory provident fund;
- an approved gratuity scheme; and
- a contributory benevolent scheme

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

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plans and schemes are made on the basis of actuarial advice using the Projected Unit Credit Method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in other Comprehensive Income in the period of occurrence.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognises past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs; and
- (ii) when the Bank recognises related restructuring costs or termination benefits.

Employees' compensated absences

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss account in the period of occurrence.

5.7 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on

revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.8 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

5.9 Foreign currencies

5.9.1 Foreign currency transactions

Transactions in foreign currencies other than the results of foreign operations discussed in note 5.9.2 are translated to Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities.

5.9.2 Foreign operations

The assets and liabilities of foreign branches are translated to Rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

5.9.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Bank's net investment in foreign branches, which are taken to the capital reserve (exchange translation reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

5.9.4 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial

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statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the date of the statement of financial position.

5.10 Acceptances

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. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities.

5.11 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP) or as permitted by the regulations of the overseas regulatory authorities of countries where the branches operate. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.
- Commission income is recognized on a time proportion basis.
- Dividend income is recognized when the Bank's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account currently.

5.12 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the

term of the lease arrangements.

5.13 Assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. 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 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 (excluding investment in associates and subsidiaries), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

5.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

5.15.3 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

5.16 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

5.17 Segment reporting

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

5.17.1 Business segments

Corporate Finance

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

Trading and Sales

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

Retail and Consumer Banking

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

Commercial Banking

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

5.17.2 Geographical segments

The Bank operates in three geographic regions being:

- Pakistan
- South Asia
- Middle East

5.18 Business combination

Business combinations 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. However, as more fully described in note 1.1 to these financial statements, the gain on bargain purchase arisen on acquisition has been recognised directly in equity as per the directives of the SBP.

5.19 Dividend distribution and appropriation

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

5.20 Earnings per share

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	6.1	18,312,745	14,759,930
- foreign currencies		3,299,941	2,786,617
With State Bank of Pakistan (SBP) in:			
Local currency current account	6.2	47,159,434	31,881,193
Foreign currency current account	6.3	271,923	116,129
Foreign currency deposit account	6.4	9,194,970	5,957,575
With other central banks in foreign currency			
current account	6.5	6,809,706	2,725,948
With National Bank of Pakistan in local currency			
current account		21,023,365	15,994,955
		<u>106,072,084</u>	<u>74,222,347</u>

- 6.1** This includes national prize bonds amounting to Rs.146.916 million (2016: Rs. 150.008 million).
- 6.2** This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.
- 6.3** This represents US Dollar settlement account maintained with SBP.
- 6.4** This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. This includes balance of Rs. 6,896.228 million (2016: Rs. 4,468.181 million) which carry interest rate of 0.37% (2016: 0%) per annum as declared by SBP.
- 6.5** Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2017	2016
(Rupees in '000)			
7. BALANCES WITH OTHER BANKS			
Outside Pakistan			
- current account		2,664,893	3,048,103
- deposit account	7.1	1,914,382	1,295,738
		<u>4,579,275</u>	<u>4,343,841</u>

- 7.1** Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 1.85% to 11% (2016: 1.65% to 13%) per annum.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2	3,779,086	558,800
Repurchase agreement lendings	8.3 & 8.4	619,028	2,250,952
		<u>4,398,114</u>	<u>2,809,752</u>
8.1 PARTICULARS OF LENDINGS			
In local currency		2,524,590	1,989,014
In foreign currencies		1,873,524	820,738
		<u>4,398,114</u>	<u>2,809,752</u>

8.2. The call money lendings carry mark-up at the rate of 1.25% to 8.15% (2016: 8.42%) per annum and are due to mature latest by January 2018.

8.3 Repurchase agreement lendings carry mark-up at rate of 7.25% (2016: 5.80% to 7.0%) per annum and are due to mature latest by January 2018.

8.4 Securities held as collateral against lendings to financial institutions

	2017			2016		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	619,028	-	619,028	2,250,952	-	2,250,952
	<u>619,028</u>	<u>-</u>	<u>619,028</u>	<u>2,250,952</u>	<u>-</u>	<u>2,250,952</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

9. INVESTMENTS - NET

9.1 Investments by types

Note	2017			2016		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in '000)						
Held for trading securities						
- Shares in listed companies	29,396	-	29,396	145,662	-	145,662
- Market Treasury Bills	4,975	-	4,975	-	-	-
	34,371	-	34,371	145,662	-	145,662
Available-for-sale securities						
- Market Treasury Bills	295,442,614	88,919,726	384,362,340	257,622,281	38,952,255	296,574,536
- Pakistan Investment Bonds	199,781,211	-	199,781,211	191,685,598	-	191,685,598
- Shares in listed companies	23,049,569	-	23,049,569	18,545,255	-	18,545,255
- Units in open ended mutual fund	581,814	-	581,814	-	-	-
- Investment in REIT	174,678	-	174,678	174,678	-	174,678
- Shares in unlisted companies	1,520,789	-	1,520,789	205,890	-	205,890
- NIT units	5,253	-	5,253	5,253	-	5,253
- Sukuk Bonds	727,604	-	727,604	-	-	-
- Term Finance Certificates	738,321	-	738,321	332,467	-	332,467
	522,021,853	88,919,726	610,941,579	468,571,422	38,952,255	507,523,677
Held-to-maturity securities						
- Market Treasury Bills	-	-	-	763,486	47,498	810,984
- Pakistan Investment Bonds	23,056,942	-	23,056,942	8,446,443	-	8,446,443
- Provincial Government Securities	118	-	118	118	-	118
- Sukuk Bonds	904,571	-	904,571	791,310	-	791,310
- Euro Bonds	316,496	-	316,496	2,845,467	-	2,845,467
- Term Finance Certificates Debentures, Bonds and Others	6,462,915	-	6,462,915	4,889,080	-	4,889,080
- Commercial papers	179,886	-	179,886	-	-	-
- Certificates of deposit	2,404,784	-	2,404,784	3,531,136	-	3,531,136
	33,325,712	-	33,325,712	21,267,040	47,498	21,314,538
Subsidiaries						
- MNET Services (Private) Limited	49,975	-	49,975	49,975	-	49,975
- MCB Islamic Bank Limited	10,000,000	-	10,000,000	10,000,000	-	10,000,000
- MCB - Arif Habib Savings & Investments Limited	320,123	-	320,123	320,123	-	320,123
- MCB Leasing Closed Joint Stock Company	448,189	-	448,189	448,189	-	448,189
- MCB Financial Services Limited	27,500	-	27,500	27,500	-	27,500
- Financial Management Services (Pvt) Limited	725	-	725	-	-	-
	10,846,512	-	10,846,512	10,845,787	-	10,845,787
Associates						
- Adamjee Insurance Company Limited	695,651	-	695,651	792,875	-	792,875
- Euronet Pakistan (Private) Limited	52,521	-	52,521	52,521	-	52,521
	748,172	-	748,172	845,396	-	845,396
Investments at cost						
	566,976,620	88,919,726	655,896,346	501,675,307	38,999,753	540,675,060
Less: Provision for diminution in value of investments	(5,985,708)	-	(5,985,708)	(1,886,821)	-	(1,886,821)
Investments (net of provisions)						
	560,990,912	88,919,726	649,910,638	499,788,486	38,999,753	538,788,239
Surplus / (deficit) on revaluation of available for sale securities - net	7,083,091	(24,445)	7,058,646	17,147,233	(8,541)	17,138,692
Surplus / (deficit) on revaluation of 'held for trading' securities - net	(5,652)	-	(5,652)	1,622	-	1,622
Investments at revalued amounts - net of provisions						
	568,068,351	88,895,281	656,963,632	516,937,341	38,991,212	555,928,553

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	Note	2017	2016
(Rupees in '000)			
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills		382,036,987	295,825,841
- Pakistan Investment Bonds		222,838,153	200,132,041
- Euro Bonds		316,496	2,845,467
Overseas Government Securities			
- Market Treasury Bills - Sri Lanka		2,330,328	1,559,679
- Development Bonds		664,016	631,248
Provincial Government Securities		118	118
Subsidiaries and Associated Undertakings		11,594,684	11,691,183
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas		23,597,494	18,627,632
- Unlisted companies / funds		1,491,013	205,890
Fully Paid-up Preference Shares:			
- Listed Companies		63,285	63,285
- Unlisted companies / funds		29,776	-
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates		2,331,055	2,280,935
- Unlisted Term Finance Certificates		3,657,728	1,746,674
- Debentures, Bonds and Participation Term Certificates		548,437	562,690
Other Investments:			
- Sukuk Bonds		1,632,175	791,310
- Certificates of deposit		2,404,784	3,531,136
- Commercial papers		179,886	-
- Investment in REIT		174,678	174,678
- NIT Units		5,253	5,253
Total investments at cost		655,896,346	540,675,060
Less: Provision for diminution in the value of investments	9.3	(5,985,708)	(1,886,821)
Investments (net of provisions)		649,910,638	538,788,239
Surplus on revaluation of available for sale securities - net	22.2	7,058,646	17,138,692
Surplus / (deficit) on revaluation of held for trading securities - net	9.5	(5,652)	1,622
Investments at revalued amounts - net of provisions		656,963,632	555,928,553
9.3 Particulars of provision			
Opening balance		1,886,821	2,515,556
Charge during the year		4,003,005	20,459
Reversal on disposal of shares		(432,568)	(665,844)
Other reversal made during the year		(236)	(1,971)
		3,570,201	(647,356)
Transfer from /(to) MCBIBL		-	18,621
Transfer from NIB under merger		528,686	-
Closing balance		5,985,708	1,886,821
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Listed shares / Certificates / Units		5,258,791	1,688,355
Unlisted shares		161,141	80,961
Term Finance Certificates		122,865	-
		5,542,797	1,769,316
Held-to-maturity securities			
Unlisted TFCs, Debentures, Bonds and Participation Term Certificates		442,186	117,505
Subsidiary		725	-
		5,985,708	1,886,821

Notes to and forming part of the Unconsolidated Financial Statements

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9.4 Quality of 'available for sale' securities

	Note	2017		2016	
		Market value	Credit rating	Market value	Credit rating
		(Rupees in '000)		(Rupees in '000)	
Market Treasury Bills	9.4.1	384,269,158	Unrated	296,507,499	Unrated
Pakistan Investment Bonds	9.4.1	205,771,813	Unrated	204,586,538	Unrated
Term Finance Certificates					
Bank Al-Falah Limited		-	-	335,958	AA & A1+
Bank Al-Habib Ltd		265,106	AA	-	-
Habib Bank Limited		297,349	AA+	-	-
Summit Bank Limited		50,402	A-	-	-
		612,857		335,958	
Sukuk Bonds					
Liberty Power Tech Limited		262,089	A+	-	-
Meezan Bank Limited		370,015	AA-	-	-
Central Bank of Bahrain Sukuks		110,939	Unrated	-	-
		743,043		-	
Shares in Listed Companies					
Abbott Laboratories (Pakistan) Limited		453,586	Unrated	605,551	Unrated
Agriotech Limited		2,947	Unrated	-	-
Aisha Steel Mills Limited - Preference Shares		3,450	Unrated	2,726	Unrated
Aisha Steel Mills Limited		284,718	A- & A-2	-	-
Al Shaheer Corporation Limited		69,493	Unrated	277,099	Unrated
Allied Bank Limited		452,552	AA+ & A1+	634,841	AA+ & A1+
Attock Petroleum Limited		14	Unrated	617,271	Unrated
Attock Refinery Limited		203,357	AA & A1+	402,206	AA & A1+
Bank Alfalah Limited		-	-	448,535	AA & A1+
Bank Al-Habib Limited		2	AA+ & A1+	2	AA+ & A1+
The Bank of Punjab		204,708	AA & A1+	-	AA & A1+
Bestway Cement Limited		190,450	AA- & A1+	461,735	AA- & A1+
Crescent Steel and Allied Products Limited		374,724	A+ & A-2	489,784	Unrated
Dawood Hercules Corporation Limited		399,333	AA- & A1+	515,157	AA- & A1+
Dolmen City REIT		174,678	RR1	172,613	RR1
Engro Corporation Limited		476,746	AA & A1+	534,255	AA & A1+
Engro Fertilizer Limited		440,891	AA- & A1+	442,584	AA- & A1+
Engro Foods Limited		6,794	Unrated	-	-
Engro Polymer & Chemicals Limited		171,503	A & A1	-	-
Engro Powergen Qadirpur Limited		163,977	A & A1	31,458	A & A1
Fatima Fertilizer Company Limited		366,777	A- & A2	397,803	AA- & A1+
Fauji Cement Company Limited		187,613	Unrated	653,728	Unrated
Fauji Fertilizer Bin Qasim Company Limited		-	-	71,131	Unrated
Fauji Fertilizer Company Limited		798,536	AA & A1+	1,059,877	AA & A1+
Faysal Bank Limited		-	-	209,850	AA & A1+
Fecto Cement Limited		151,833	Unrated	382,403	Unrated
Ferozsons Laboratories Limited		10,415	Unrated	56,980	Unrated
First Capital Mutual Fund		76	2-Star	104	3-Star
Gadoon Textile Mills Limited		74,865	Unrated	-	-
General Tyre and Rubber Company of Pakistan Limited		176,268	Unrated	-	-
Ghandhara Nissan Limited		232,115	Unrated	-	-
Glaxosmithkline Pakistan Limited		312,928	Unrated	-	-
Habib Bank Limited		208,361	AAA & A1+	27	AAA & A1+
Habib Metropolitan Bank Limited		544,410	AA+ & A1+	498,594	AA+ & A1+
Hub Power Company Limited		9	AA+ & A1+	528,186	AA+ & A1+
Honda Atlas Cars (Pakistan) Limited		-	-	234,024	Unrated
Hum Network Limited		113,142	A+ & A1	207,589	A+ & A1
IGI Insurance Limited		431,925	AA	225,899	AA
Indus Motor Company Limited		109,345	Unrated	291,100	Unrated
International Industries Limited		120,055	AA- & A1	114,089	AA- & A1
International Steels Limited		315,015	A+ & A1	156,417	A+ & A1
K-Electric Limited		294,797	AA & A1	2,010	AA & A1
* Kohinoor Textile Mills Limited		70,857	A+ & A1	290,035	A+ & A1
Kot Addu Power Company Limited		844,182	AA+ & A1+	1,234,166	AA+ & A1+
Loads Limited		123,290	Unrated	-	-
Lucky Cement Company limited		323,588	Unrated	-	-
Balance carried forward		9,884,325		12,249,829	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

Note	2017		2016	
	Market value	Credit rating	Market value	Credit rating
	(Rupees in '000)		(Rupees in '000)	
Balance brought forward	9,884,325		12,249,829	
Maple Leaf Cement Factory Limited	247,216	A+ & A1	-	-
Masood Textile Mills Limited - Preference Shares	40,150	Unrated	50,000	Unrated
Mughal Iron and Steel Industries Ltd	34,773	Unrated	-	-
Millat Tractor Limited	-	-	845,224	Unrated
National Bank of Pakistan	220,511	AAA & A1+	364,789	AAA & A1+
National Refinery Limited	322,829	AA+ & A1+	52,543	AA+ & A1+
Nestle Pakistan Limited	439,461	Unrated	360,900	Unrated
Next Capital Limited	38,721	A- & A2	57,033	A- & A2
Oil & Gas Development Company Limited	815,746	AAA & A1+	729,365	AAA & A1+
Packages Limited	286,219	AA & A1+	512,410	AA & A1+
Pak Elektron Limited	205,139	A+ & A1	507,594	A+ & A1
Pak Suzuki Motor Company Limited	190,745	Unrated	-	-
Pakistan Oilfields Limited	116	Unrated	104	Unrated
Pakistan Petroleum Limited	628,668	Unrated	411,120	Unrated
Pakistan National Shipping Corporation Limited	73	AA- & A1+	113	AA- & A1+
Pakistan Reinsurance Company Limited	180,625	AA	232,613	AA
Pakistan Telecommunication Company Limited	211,769	Unrated	265,689	Unrated
Pioneer Cement Limited	83,893	A & A1	49,745	A & A1
Rafhan Maize Products Company Limited	378,468	Unrated	457,035	Unrated
Saif Power Limited	444,076	A+ & A1	545,846	A+ & A1
Siemens (Pakistan) Engineering Company Limited	10,588	Unrated	15,957	Unrated
Sui Northern Gas Pipelines Limited	1,795,983	AA- & A1	2,419,856	AA- & A1
Sui Southern Gas Company Limited	239,545	A+ & A1	382,402	A+ & A1
Treet Corporation Limited	84,363	AA- & A1	191,138	AA- & A1
Trust Securities & Brokerage Limited	5,250	Unrated	3,150	Unrated
Unilever Pakistan Foods Limited	6,342	Unrated	5,072	Unrated
United Bank Limited	226,990	AAA & A1+	330,066	AAA & A1+
Zulfiqar Industries Limited	-	-	3,230	Unrated
	17,022,584		21,042,823	
Closed Ended Mutual Fund				
PICIC Investment Fund	882,302	Unrated	285,624	Unrated
PICIC Growth Fund	1,232,739	Unrated	-	-
	2,115,041		285,624	
Open Ended Mutual Fund				
HBL Energy Fund	91,640	Unrated	-	-
HBL Equity Fund	107,184	Unrated	-	-
HBL Government Securities Fund	275,185	Unrated	-	-
HBL Islamic Equity Fund	81,470	Unrated	-	-
	555,479		-	
Shares in Un-listed Companies	9.4.2			
National Investment Trust Limited	1,027,651	AM2++	100	AM2+
SME Bank Limited	-	B & B	-	B & B
First Capital Investment (Private) Limited	2,500	AM4++	2,500	AM4++
Al-Arabia Sugar Mills Limited - preference shares	4,776	Unrated	-	-
Pak Elektron Limited - preference shares	25,000	A+ & A1	-	-
First Women Bank Limited	63,300	A- & A2	63,300	A- & A2
Pak Asian Fund Limited	11,500	Unrated	11,500	Unrated
Pakistan Agro Storage and Services corporation	2,500	Unrated	2,500	Unrated
Arabian Sea Country Club	-	Unrated	-	Unrated
Central Depository Company of Pakistan Limited	184,426	Unrated	10,000	Unrated
National Institutional Facilitation Technologies (Private) Limited	1,526	Unrated	1,526	Unrated
Society for Worldwide Interbank Financial Telecommunication	4,662	Unrated	1,738	Unrated
ISE Towers REIT Management Company Limited	30,346	Unrated	30,346	Unrated
LankaClear (Private) Limited	720	Unrated	699	Unrated
Lanka Financial Services Bureau Limited	720	Unrated	699	Unrated
Credit Information Bureau of Sri Lanka	21	Unrated	21	Unrated
	1,359,648		124,929	
Other Investment				
N.I.T. Units	7,805	AM2++	9,682	AM2-
	612,457,428		522,893,053	

9.4.1 These are Government of Pakistan guaranteed securities.

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

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

	Unrealized gain /(loss)		Cost	
	2017	2016	2017	2016
	(Rupees in '000)			
Investee Company				
Al Shaheer Corporation	-	463	-	13,457
Engro Corporation Limited	-	28	-	15,049
Engro Fertilizers Limited	-	193	-	8,135
Indus Motor Company Limited	-	204	-	7,949
Millat Tractor Limited	-	134	-	16,512
National Refinery Limited	-	6	-	280
Pak Elektron Limited	(5,651)	174	29,396	24,774
Pakistan State Oil Corporation	-	718	-	32,325
Pakistan Telecommunication Company Limited	-	(77)	-	1,657
Sui Northern Gas Pipelines Limited	-	(188)	-	16,502
Treet Corporation Limited	-	(33)	-	9,022
Market Treasury Bills	(1)	-	4,975	-
	(5,652)	1,622	34,371	145,662

- 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 (2016: 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 (2016: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.
- 9.8 Subsequent to the year end, the Bank has injected equity of Rs 1.2 billion in MCB Islamic Bank Limited through subscription of rights shares offered at face value.
- 9.9 The investment is fully provided for 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.
- 9.10 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 695.651 million (2016: Rs. 792.875 million) as at December 31, 2017. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2017 amounted to Rs. 3,906.139 million (2016: Rs. 6,351.272 million).
- 9.11 Information relating to investments in ordinary shares and preference shares of listed companies and unlisted companies required to be disclosed as part of the financial statements under BSD Circular No.04 of 2006 dated February 17, 2006, is given in Annexure "I".
- 9.12 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		463,689,530	336,403,574
Outside Pakistan		24,828,547	18,322,875
		488,518,077	354,726,449
Net investment in finance lease	10.2		
In Pakistan		4,176,737	1,812,760
Outside Pakistan		94,544	80,328
		4,271,281	1,893,088
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		7,197,552	5,768,909
Payable outside Pakistan		15,070,945	5,426,101
		22,268,497	11,195,010
Advances - gross		515,057,855	367,814,547
Provision against advances	10.4		
Specific provision		(44,586,915)	(18,938,091)
General provision		(503,682)	(367,681)
General provision against consumer loans & small enterprise loans		(533,795)	(345,791)
General provision by overseas operations		(77,614)	(46,367)
		(45,702,006)	(19,697,930)
Advances - net of provision		469,355,849	348,116,617
10.1 Particulars of advances (gross)			
10.1.1 In local currency		465,854,590	328,537,304
In foreign currencies		49,203,265	39,277,243
		515,057,855	367,814,547
10.1.2 Short-term		333,531,074	243,661,982
Long-term		181,526,781	124,152,565
		515,057,855	367,814,547

10.2 Net investment in finance lease

Description	2017				2016			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
(Rupees in '000)								
Lease rentals receivable	77,385	1,912,403	2,789,791	4,779,579	95,090	908,307	1,290,765	2,294,162
Guaranteed residual value	17,779	35,590	4,837	58,206	16,864	27,402	3,724	47,990
Minimum lease payments	95,164	1,947,993	2,794,628	4,837,785	111,954	935,709	1,294,489	2,342,152
Finance charge for future periods	(13,159)	(144,425)	(408,920)	(566,504)	(13,869)	(112,287)	(322,908)	(449,064)
Present value of minimum lease payments	82,005	1,803,568	2,385,708	4,271,281	98,085	823,422	971,581	1,893,088

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

10.3 Advances include Rs. 48,752.620 million (2016: Rs. 21,688.250 million) which have been placed under the non-performing status as detailed below:

		2017									
Note	Category of Classification	Classified Advances			Specific Provision Required			Specific Provision Held			
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
(Rupees in '000)											
	Other Assets Especially										
	Mentioned (OAEM)	10.3.1	171,209	-	171,209	9,934	-	9,934	9,934	-	9,934
	Substandard		396,984	154,987	551,971	98,475	38,747	137,222	98,475	38,747	137,222
	Doubtful		218,714	344,151	562,865	109,357	172,075	281,432	109,357	172,075	281,432
	Loss		41,869,272	5,597,303	47,466,575	41,113,793	3,044,534	44,158,327	41,113,793	3,044,534	44,158,327
			42,656,179	6,096,441	48,752,620	41,331,559	3,255,356	44,586,915	41,331,559	3,255,356	44,586,915

		2016									
Note	Category of Classification	Classified Advances			Specific Provision Required			Specific Provision Held			
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total	
(Rupees in '000)											
	Other Assets Especially										
	Mentioned (OAEM)	10.3.1	31,918	-	31,918	1,617	-	1,617	1,617	-	1,617
	Substandard		72,424	2,487	74,911	17,898	622	18,520	17,898	622	18,520
	Doubtful		307,754	55,532	363,286	153,877	27,766	181,643	153,877	27,766	181,643
	Loss		15,926,350	5,291,785	21,218,135	15,926,350	2,809,961	18,736,311	15,926,350	2,809,961	18,736,311
			16,338,446	5,349,804	21,688,250	16,099,742	2,838,349	18,938,091	16,099,742	2,838,349	18,938,091

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.

10.3.2 Exposure amounting to Rs. 5,452 million relating to Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan has not been classified as non performing, in accordance with a relaxation given by the SBP. However, unrealized markup income has been suspended on this amount.

10.3.3 Classified portfolio amounting to Rs. 29,649.756 million have been transferred from NIB Bank Limited under merger scheme.

		2017				
Note	Particulars of provision against advances	Specific	General	General provision consumer & SEs loans	General provision Overseas Operations	Total
	Opening balance	18,938,091	367,681	345,791	46,367	19,697,930
	Transfer from NIB under merger	28,769,002	-	178,878	-	28,947,880
	Exchange adjustments	101,986	-	-	1,628	103,614
	Provision made during the year	3,162,762	136,001	9,126	29,619	3,337,508
	Reversals during the year	(6,234,395)	-	-	-	(6,234,395)
		(3,071,633)	136,001	9,126	29,619	(2,896,887)
	Amounts written off	(150,531)	-	-	-	(150,531)
	Closing balance	44,586,915	503,682	533,795	77,614	45,702,006

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

Note	2016				Total
	Specific	General	General provision consumer & SEs loans	General provision Overseas Operations	
(Rupees in '000)					
Opening balance	17,847,780	238,332	284,400	36,061	18,406,573
Exchange adjustments	(3,230)	-	-	(1,434)	(4,664)
Provision made during the year	3,495,008	129,349	61,391	11,740	3,697,488
Reversals during the year	(2,396,499)	-	-	-	(2,396,499)
	1,098,509	129,349	61,391	11,740	1,300,989
Amounts written off	10.5.1 (4,968)	-	-	-	(4,968)
Closing balance	18,938,091	367,681	345,791	46,367	19,697,930

	2017			2016		
	Specific	General (Total)	Total	Specific	General (Total)	Total
(Rupees in '000)						
10.4.1 Particulars of provisions against advances						
In local currency	41,331,559	1,037,477	42,369,036	16,099,742	713,472	16,813,214
In foreign currencies	3,255,356	77,614	3,332,970	2,838,349	46,367	2,884,716
	44,586,915	1,115,091	45,702,006	18,938,091	759,839	19,697,930

	Note	2017	2016
(Rupees in '000)			
10.4.2 Particulars of provisions against advances			
Specific provision		(3,071,633)	1,098,509
General provision	10.4.4	136,001	129,349
General provision against Consumer & Small Enterprise loans	10.4.6	9,126	61,391
General provision by overseas operations	10.4.7	29,619	11,740
		(2,896,887)	1,300,989

10.4.3 This includes reversal of provisions and reduction of non-performing loans amounting to Rs. 164 Million as a result of settlement to debt asset swap arrangement with customers.

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

10.4.5 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.

10.4.6 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.

10.4.7 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
10.5	Particulars of write offs:		
10.5.1	Against provisions	150,531	4,968
	Directly charged to the profit and loss account	14	18
		<u>150,545</u>	<u>4,986</u>
10.5.2	Write offs of Rs. 500,000 and above	150,336	701
	Write offs of below Rs. 500,000	209	4,285
		<u>150,545</u>	<u>4,986</u>

10.5.3 Details of loan write offs of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2017 is given at Annexure- II. However, this write off does not affect the Bank's right to recover the debts from these customers.

		2017	2016
(Rupees in '000)			
10.6	Particulars of advances to directors, executives, associated companies, etc.		
	Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons		
	Balance at beginning of the year	3,880,272	3,618,890
	Loans granted during the year	1,987,516	1,134,238
	Loans transferred under merger	1,944,004	-
	Repayments	(1,196,972)	(872,856)
	Balance at end of the year	<u>6,614,820</u>	<u>3,880,272</u>
	Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		
	Balance at beginning of the year	538,657	277,612
	Loans granted during the year	4,788,325	2,398,324
	Repayments	(2,710,211)	(2,137,279)
	Balance at end of the year	<u>2,616,771</u>	<u>538,657</u>
		<u>9,231,591</u>	<u>4,418,929</u>
	Note	2017	2016
(Rupees in '000)			
11.	OPERATING FIXED ASSETS		
	Capital work-in-progress	935,158	938,075
	Property and equipment	38,234,448	31,471,310
	Intangible asset	404,326	343,287
		<u>39,573,932</u>	<u>32,752,672</u>
11.1	OPERATING FIXED ASSETS		
	Civil works	397,487	144,000
	Advances to suppliers and contractors	528,720	764,460
	Others	8,951	29,615
		<u>935,158</u>	<u>938,075</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

11.2 Property and equipment

2017

Description	Note	Cost/Revalued amount				Accumulated depreciation							
		At January 01, 2017	Additions/ (deletions) / exchange and other adjustments	Write off	Adjustment due to Merger scheme	At December 31, 2017	At January 01, 2017	Charge for the year / (depreciation on deletions) exchange and other adjustments	Write off	Adjustment due to Merger scheme	At December 31, 2017	Net book value at December 31, 2017	Annual rate of depreciation / estimated useful life
		(Rupees in '000)											
Land - Freehold		16,812,385	1,337,484	-	794,449	18,944,318	-	-	-	-	-	18,944,318	-
Land - Leasehold	11.2.1	309,941	-	-	2,082,925	2,392,866	-	-	-	-	-	2,392,866	-
Buildings on freehold land		9,783,543	708,483	-	746,244	11,240,399	-	288,553	-	237,945	526,571	10,713,828	upto 70 years
			2,129					73					
Buildings on leasehold land		140,221	15,434	-	303,499	460,136	-	11,575	-	84,765	96,357	363,779	upto 50 years
			982					17					
Leasehold Improvements (rented premises)		770,755	118,924	-	-	352,010	633,657	82,629	-	-	174,147	177,863	3 years
			(542,316)					(542,316)					
			4,647					177					
Furniture and fixture		1,223,844	201,672	(31,711)	253,795	1,632,930	747,642	109,884	(31,706)	181,489	990,803	642,127	10%
			(16,100)					(15,630)					
			1,430					(876)					
Electrical, Computers and office Equipment		11,113,202	1,842,594	(726,190)	1,794,082	13,841,043	7,790,380	1,102,406	(726,182)	1,406,041	9,394,871	4,446,172	10% to 25%
			(186,712)					(182,713)					
			4,067					4,939					
Vehicles		933,023	208,902	-	13,395	1,109,632	443,925	134,241	-	12,159	556,137	553,495	20%
			(46,990)					(34,966)					
			1,302					778					
		41,086,914	4,433,493	(757,901)	5,988,389	49,973,334	9,615,604	1,729,288	(757,888)	1,922,399	11,738,886	38,234,448	
			(792,118)					(775,625)					
			14,557					5,108					

11.2.1 This includes a plot of land having book value of Rs. 1,092.161 million situated in Railway Quarters, I.I. Chundrigar Road, Karachi, (the "Plot"), where a tenant is claiming for the possession as tenant of an insignificant area of only 18 square feet of the plot measuring 3,120.46 square yards, however there is no issue over the title of the subject property. Both the Constitutional Petitions filed by the Bank have been dismissed by the Sindh High Court on 28 January 2016 against the Bank. The Bank has filed an appeal before the Supreme Court of Pakistan.

11.2 Property and equipment

2016

Description	At January 01, 2016	Cost/Revalued amount				Accumulated depreciation						
		Additions/ (deletions) / exchange and other adjustments	Surplus on revaluation (disposal)	Adjustment due to revaluation	At December 31, 2016	At January 01, 2016	Charge for the year / (depreciation on deletions) exchange and other adjustments	Adjustment due to revaluation	At December 31, 2016	Net book value at December 31, 2016	Annual rate of depreciation / estimated useful life	
		(Rupees in '000)										
Land - Freehold	14,593,588	1,366,661	1,336,676	-	16,812,385	-	-	-	-	16,812,385	-	
		(495,307)	(70,273)									
		81,040										
Land - Leasehold	297,526	-	12,515	-	309,941	-	-	-	-	309,941	-	
		(100)										
Buildings on freehold land	9,399,094	727,275	535,787	(742,627)	9,783,543	451,969	294,311	(742,627)	-	9,783,543	upto 70 years	
		(28,132)	(24,419)				(3,498)					
		(83,435)					(155)					
Buildings on leasehold land	106,705	23,763	22,485	(12,711)	140,221	6,924	5,791	(12,711)	-	140,221	upto 50 years	
		-	(21)				-	(4)				
Leasehold Improvements (rented premises)	709,438	63,781	-	-	770,755	550,539	84,375	-	633,657	137,098	3 years	
		(145)					(145)					
		(2,319)					(1,112)					
Furniture and fixture	1,160,532	84,181	-	-	1,223,844	672,292	95,528	-	747,642	476,202	10%	
		(20,012)					(19,528)					
		(857)					(650)					
Electrical, Computers and office Equipment	10,405,719	1,071,694	-	-	11,113,202	7,171,816	970,984	-	7,790,380	3,322,822	10% to 25%	
		(360,173)					(349,899)					
		(4,038)					(2,521)					
Vehicles	1,010,299	44,597	-	-	933,023	416,221	121,557	-	443,925	489,098	20%	
		(120,931)					(95,707)					
		(942)					1,854					
		37,682,901	3,381,952	1,907,463	(755,338)	41,086,914	9,269,761	1,572,546	(755,338)	9,615,604	31,471,310	
		(1,024,700)	(94,692)	-	-			(468,777)				
		(10,672)	-	-	-			(2,588)				

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

11.2.1 The land and buildings of the Bank are revalued as at December 31, 2016 by independent valuers (Arch-e-Decon, Tristar International Consultant (Pvt) Limited & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. The total surplus against revaluation of fixed assets as at December 31, 2017 amounts to Rs. 13,370.529 million.

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2017 would have been as follows:

	(Rupees in '000)
Land	10,895,896
Buildings	8,148,366

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

	(Rupees in '000)
Furniture and fixture	460,500
Electrical, computers and office equipment	5,777,374
Vehicles	260,336
Leasehold Improvements	30,684
Intangible asset	2,221,976

11.2.3 Carrying amount of temporarily idle property of the Bank is Rs. 1,906 million (2016: Rs. 85 million)

11.2.4 Details of disposal of operating fixed assets

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

11.3 Intangible asset

Description	2017							
	Cost			Accumulated amortization			Net Book value at December 31, 2017	Useful Life
	At January 01 2017	Additions/ (write off) / (adjustments)	At December 31, 2017	At January 01, 2017	Amortization for the year/ (write off) / (adjustments)	At December 31, 2017		
	(Rupees in '000)							
Computer software	2,987,426	304,492 (146,004) 3,015	3,148,929	2,644,139	243,529 (146,004) 2,939	2,744,603	404,326	3 - 7 years
	2,987,426	304,492 (146,004) 3,015	3,148,929	2,644,139	243,529 (146,004) 2,939	2,744,603	404,326	
Description	2016							
	Cost			Accumulated amortization			Net Book value at December 31, 2016	Useful Life
	At January 01 2016	Additions/ (write off) / (adjustments)	At December 31, 2016	At January 01, 2016	Amortization for the year/ (write off) / (adjustments)	At December 31, 2016		
	(Rupees in '000)							
Computer software	2,981,931	62,577 (54,694) (2,388)	2,987,426	2,334,922	366,153 (54,694) (2,242)	2,644,139	343,287	3 - 7 years
	2,981,931	62,577 (54,694) (2,388)	2,987,426	2,334,922	366,153 (54,694) (2,242)	2,644,139	343,287	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
12. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency		13,296,080	12,403,612
Income / mark-up accrued on advances and investments - foreign currencies		315,327	206,597
Accrued income, advances, deposits and other prepayments		2,007,400	2,121,105
Advance taxation (payments less provisions)		13,633,808	6,153,421
Compensation for delayed income tax refunds		239,947	239,947
Branch adjustment account		240,871	52,230
Non-banking assets acquired in satisfaction of claims	12.1	4,310,611	1,203,360
Unrealised gain on derivative financial instruments	12.2	2,902,755	496,032
Stationery and stamps on hand		62,892	67,733
Prepaid exchange risk fee		323	325
Receivable from the pension fund	36.3	5,990,536	7,773,482
Others		6,384,396	4,486,091
		<u>49,384,946</u>	<u>35,203,935</u>
Less: Provision held against other assets	12.3	3,016,792	1,564,036
		<u>46,368,154</u>	<u>33,639,899</u>

12.1 These assets are stated at revalued amount in accordance with accounting policy mentioned in note 5.13.

	Contract / Notional amount		Unrealised gain	
	2017	2016	2017	2016
(Rupees in '000)				
12.2 Unrealised gain on derivative financial instruments				
Unrealised gain on:				
FX Options	865,718	1,034,994	12,960	15,685
Cross Currency Swaps	1,510,582	675,193	25,609	30,882
Forward exchange contracts	82,695,992	48,852,621	2,864,186	449,465
	<u>85,072,292</u>	<u>50,562,808</u>	<u>2,902,755</u>	<u>496,032</u>

	2017	2016
(Rupees in '000)		
12.3 Provision held against other assets		
Opening balance	1,564,036	1,294,811
Charge for the year	562,827	325,515
Reversal during the year	-	(54,364)
	562,827	271,151
Transfer from NIB under Merger	916,248	-
Write off	(9,448)	(1,213)
Exchange and other adjustments	(16,871)	(713)
Closing balance	<u>3,016,792</u>	<u>1,564,036</u>

13 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2017 (2016: NIL).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
14. BILLS PAYABLE			
In Pakistan		22,638,257	12,761,669
Outside Pakistan		42,410	81,883
		<u>22,680,667</u>	<u>12,843,552</u>
15. BORROWINGS			
In Pakistan		126,988,022	70,180,289
Outside Pakistan		6,081,534	4,335,094
		<u>133,069,556</u>	<u>74,515,383</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		126,988,022	70,180,289
In foreign currencies		6,081,534	4,335,094
		<u>133,069,556</u>	<u>74,515,383</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	15.3	24,676,099	12,535,416
Long term financing facility	15.4	12,797,076	5,841,088
Refinance Facility for modernization of SME	15.3	100,866	-
Renewable energy performance platform		3,680	-
Financing Facility for Storage of Agricultural Produce	15.5	254,045	318,490
		<u>37,831,766</u>	<u>18,694,994</u>
Repurchase agreement borrowings	15.6	88,849,251	38,984,230
		<u>126,681,017</u>	<u>57,679,224</u>
Unsecured			
Borrowings from other financial institution	15.7	1,831,801	1,188,851
Call borrowings	15.8	3,285,818	15,487,782
Foreign borrowings payable in local currency		162,286	-
Overdrawn nostro accounts		1,108,634	159,526
		<u>6,388,539</u>	<u>16,836,159</u>
		<u>133,069,556</u>	<u>74,515,383</u>

15.3 The Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within six months. These carry mark up rates ranging from 1.0% to 2.0% per annum.

15.4 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 3.0% to 4.50% per annum.

15.5 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.

15.6 These carry mark-up rates ranging from 5.65% to 9.02% per annum (2016: 5.50% to 10.50% per annum) and are secured against government securities of carrying value of Rs. 88,911.185 million (2016: Rs. 38,991.212 million). These are repayable latest by June 2018.

15.7 These carry mark-up ranging from 1.60 to 11.15% per annum (2016: 1.50% to 2.25% per annum).

15.8 These carry mark-up ranging from 0.75% to 5.70% per annum (2016: 1% to 5.70% per annum). These are repayable by June 2018.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	2017	2016
	(Rupees in '000)	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	66,914,022	45,340,915
Saving deposits	513,309,328	427,583,023
Current accounts	356,577,624	284,065,590
Margin accounts	9,970,532	6,904,119
	<u>946,771,506</u>	<u>763,893,647</u>
Financial institutions		
Remunerative deposits	11,175,786	10,474,158
Non-remunerative deposits	10,535,343	7,062,018
	<u>21,711,129</u>	<u>17,536,176</u>
	<u>968,482,635</u>	<u>781,429,823</u>
16.1 Particulars of deposits		
In local currency	892,244,370	730,313,667
In foreign currencies	76,238,265	51,116,156
	<u>968,482,635</u>	<u>781,429,823</u>

16.2 Deposits include deposits from related parties amounting to Rs. 10,698.249 million (2016: Rs. 11,107.288 million).

17. SUB-ORDINATED LOANS

	2017	2016
	(Rupees in '000)	
Term Finance Certificates - Listed, Unsecured	<u>3,892,578</u>	<u>-</u>
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"))	
Security	The TFCs are unsecured and subordinated to all other indebtedness of the Bank including deposits	
Issue Date	June 19, 2014	
Issue Amount	Rs. 4,198.035 million	
Rating	AAA (triple A)	
Tenor	8 years from the Issue Date	
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.	
Maturity	June 19, 2022	
Call Option	The Bank may call the TFCs, in part or full, on any profit payment date from the 60th month from the last day of public subscription and on all subsequent profit payment dates, subject to the SBP approval and not less than forty five days prior notice being given to the Trustee and the Investors.	
Lock-in- Clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Banks' Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR and CAR. In case the lock-in clause goes into effect, the Bank will be required to comply with the SBP instructions prevalent or issued at the time.	
Loss Absorbency Clause	The TFCs will be subject to loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

18. DEFERRED TAX LIABILITY / (ASSET) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

	Note	2017	2016
(Rupees in '000)			
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	22.1	1,025,234	1,054,091
Surplus on revaluation of Non-banking assets		75,273	76,111
Accelerated tax depreciation		1,534,613	1,425,265
Receivable from pension fund		2,096,688	2,720,719
Business combination		705,218	-
Surplus / deficit on revaluation of securities	22.2	2,470,526	5,998,542
		7,907,552	11,274,728
Deductible temporary differences on:			
Provision for bad debts		(3,282,517)	(7,048)
Provision for post retirement benefits		-	(7,465)
		(3,282,517)	(14,513)
		4,625,035	11,260,215

	Note	2017	2016
(Rupees in '000)			
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		7,625,237	6,275,266
Mark-up / return / interest payable in foreign currencies		300,862	161,422
Accrued expenses		5,413,424	4,147,448
Workers' Welfare Fund	19.1	6,430,388	5,644,763
Dividend payable including unclaimed		2,600,251	1,417,399
Staff welfare fund		5,661	5,628
Unrealised loss on derivative financial instruments	19.2	2,366,606	396,113
Provision for employees' compensated absences	36.3	1,145,135	1,053,870
Provision for post retirement medical benefits	36.3	2,140,300	2,104,444
Provision for employees' contributory benevolent scheme	36.3	248,518	209,352
Security deposits		488,936	64,505
Retention money		20,657	18,076
Insurance payable against consumer assets		659,374	450,012
Unclaimed balances		1,361,906	1,103,285
Duties and taxes payable		604,337	70,657
Provision against Off Balance Sheet Items		37,430	-
Others		9,545,210	7,015,843
		40,994,232	30,138,083

19.1 During last year, the 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 and shall revisit the position on periodic basis.

19.2 Unrealized loss on derivative financial instruments

	Contracts / Notional Amount		Unrealized loss	
	2017	2016	2017	2016
(Rupees in '000)				
Unrealized loss on:				
FX Options	865,718	1,034,994	12,960	15,685
Cross Currency Swaps	1,721,562	675,193	10,408	22,599
Interest Rate Swaps	316,500	-	4,708	-
Forward exchange contracts	77,616,456	49,900,708	2,338,530	357,829
	80,520,236	51,610,895	2,366,606	396,113

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

20. SHARE CAPITAL

20.1 Authorised Capital

2017 (Number of shares)			2017 (Rupees in '000)	
1,500,000,000	1,500,000,000	Ordinary shares of Rs 10 each	15,000,000	15,000,000

20.2 Issued, subscribed and paid-up capital

2017 (Number of shares)			2017 (Rupees in '000)	
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	-	issued under merger scheme	720,293	-
1,185,060,006	1,113,030,748	Ordinary shares of Rs 10 each	11,850,600	11,130,307

20.2.1 The movement in the issued, subscribed and paid-up capital during the year was as follows:

2017 (Number of shares)			2017 (Rupees in '000)	
1,113,030,748	1,113,030,748	Opening balance at January 1	11,130,307	11,130,307
72,029,258	-	Shares issued under merger scheme	720,293	-
1,185,060,006	1,113,030,748	Closing balance at December 31	11,850,600	11,130,307

20.3. Number of shares held by the associated undertakings as at December 31, are as follows:

	2017 (Number of shares)	2016 (Number of shares)
Adamjee Insurance Company Limited	47,159,787	42,945,187
Nishat Mills Limited	88,015,291	85,339,091
Din Leather (Private) Limited	6,789,633	6,936,333
Siddiqsons Limited	14,276,462	14,276,462
Mayban International Trust (Labuan) Berhad	222,606,147	222,606,147
	378,847,320	372,103,220

21. RESERVES

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
Share premium		23,751,114	9,702,528
Non- distributable capital reserve - gain on bargain purchase option	21.1	908,317	-
Exchange translation reserve		483,993	167,174
Statutory reserve	21.2	27,123,049	24,877,159
General reserve		18,600,000	18,600,000
		70,866,473	53,346,861

21.1 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 has not been taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 has 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.

21.2 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus arising on revaluation (net of tax) of:			
- fixed assets	22.1	12,345,295	12,398,886
- available-for-sale securities	22.2	4,588,120	11,140,150
- Non-banking assets		139,792	141,349
		<u>17,073,207</u>	<u>23,680,385</u>
22.1 Surplus on revaluation of fixed assets-net of tax			
Surplus on revaluation of fixed assets as at January 01		13,452,977	11,715,030
Surplus during the year		-	1,907,463
Surplus realised on disposal of revalued properties - net of deferred tax		-	(77,657)
Related deferred tax liability		-	(17,035)
		-	(94,692)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(53,591)	(48,636)
Related deferred tax liability		(28,857)	(26,188)
		<u>(82,448)</u>	<u>(74,824)</u>
Surplus on revaluation of fixed assets as at December 31		13,370,529	13,452,977
Less: Related deferred tax liability on:			
Revaluation as at January 01		1,054,091	901,919
Surplus during the year		-	195,395
Disposal of revalued properties during the year transferred to profit and loss account		-	(17,035)
Incremental depreciation charged during the year transferred to profit and loss account		(28,857)	(26,188)
		<u>1,025,234</u>	<u>1,054,091</u>
		<u>12,345,295</u>	<u>12,398,886</u>
22.2. Surplus / (deficit) on revaluation of available-for-sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		(93,182)	(67,037)
- Pakistan Investment Bonds		5,990,602	12,900,940
- Shares / Certificates / Units		1,170,261	4,297,026
- Open Ended Mutual Funds / NIT		(21,875)	6,336
- Investment in REIT		-	(2,064)
- Term Finance Certificates		(2,599)	3,491
		<u>1,145,787</u>	<u>4,304,789</u>
Sukuks Bonds		15,439	-
		<u>7,058,646</u>	<u>17,138,692</u>
Related deferred tax liability	18	(2,470,526)	(5,998,542)
		<u>4,588,120</u>	<u>11,140,150</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	2017	2016
	(Rupees in '000)	
23. CONTINGENCIES AND COMMITMENTS		
23.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring		
Government	73,747,315	28,098,810
Banks and financial institutions	5,345,816	3,848,002
Others	6,226,506	2,010,891
	<u>85,319,637</u>	<u>33,957,703</u>
23.2 Transaction-related contingent liabilities		
Guarantees in favour of		
Government	28,536,667	15,482,837
Banks and financial institutions	80,377	60,034
Others	16,788,987	12,512,412
Suppliers' credit / payee guarantee	1,992,913	1,930,979
	<u>47,398,944</u>	<u>29,986,262</u>
23.3 Trade-related contingent liabilities	<u>143,773,637</u>	<u>129,124,790</u>
23.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>5,938,071</u>	<u>7,345,639</u>

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.

23.5 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	2017	2016
		(Rupees in '000)	
23.6 Commitments in respect of forward foreign exchange contracts			
Purchase		85,101,993	49,411,339
Sale		75,210,455	49,341,990
23.7 Commitments for the acquisition of fixed assets		<u>96,399</u>	<u>503,809</u>
23.8 Other Commitments			
FX options (notional amount)	24.1 & 24.2		
Purchase		865,718	1,034,994
Sale		865,718	1,034,994
Cross Currency Swaps (Notional)		<u>3,232,144</u>	<u>1,350,386</u>
Interest Rate Swaps (Notional)		<u>316,500</u>	<u>-</u>
Forward repurchase agreement borrowings		-	1,000,000
Forward call borrowings		-	400,000
Outright purchase of Government Securities		<u>7,000,000</u>	<u>200,850</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

23.9 Taxation

For assessment year 1988-89 through tax year 2016, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 3,656 million (2016: Rs. 2,873 million) which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

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

Ex-NIB Bank Limited status

The income tax returns of Ex-NIB Bank Limited have been filed up to and including tax year 2017 relevant to the financial year ended December 31, 2016. The tax authorities have made certain disallowances pertaining to tax years 2003 through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC), from tax years 2004 through 2008 for Ex-PICIC Commercial Bank Limited (Ex-PCBL), tax years 2003 and 2004 for Ex-National Development Leasing Corporation Limited (Ex-NDLC) and from tax years 2004 through 2008 for NIB Bank Limited. During the year ended 2013, a combined Appellate Order for Ex-PICIC pertaining to tax years 2003 through 2007 was issued by Commissioner Inland Revenue (Appeals) – CIR(A) in which the aforementioned expenses were allowed. However, the tax authorities have filed appeal with Income Tax Appellate Tribunal (ITAT) against above combined Appellate Order. Furthermore, tax authorities have also made certain disallowances in respect of tax years 2009, 2010, 2011, 2012, 2013, 2014, 2015 & 2016 which are pending at various appellate forums.

24. DERIVATIVE INSTRUMENTS

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. In the absence of suitable derivative products, such 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.

Other Objectives include:

- For MCB bank to contribute to the development of Pakistani financial markets.
- For MCB bank to stand true to its promise of providing innovative financial solutions and complete suite of financial products to its esteemed clientele.

Risk management is performed at:

- a) 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.
- b) Macro Level: By Treasury and FX Group and Risk Management Group, responsible for policy formulation, procedure development and implementation, monitoring and reporting.
- c) Micro Level: Treasury Derivatives and Structured Product Desk where risks are actually created and Treasury Operations for settlements of the transactions.

Risk Management Group is responsible for coordinating for risk management of derivatives.

As an Authorized Derivatives Dealer, MCB has more flexibility in providing a broad range of derivatives solutions. The Bank has acquired a derivatives system providing front end sales and structuring capabilities, risk management systems and back end processing. Marked to market positions and sensitivity of the derivatives transactions are monitored on regular basis. As per the State Bank of Pakistan's (SBP) regulations, currency options are required to be hedged back to back with other financial institutions, therefore the Bank does not carry market risk on these transactions. However, it may choose to warehouse the market risk of interest rate and cross currency derivatives transactions.

Risk Limits

The Board of Directors has approved an overall derivatives business limit. All individual deals are approved at the appropriate level of authority after analyzing the risk and benefits associated with the deals.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

24.1 Product analysis

Counter parties	2017					
	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	5	1,510,582	1	316,500	40	865,718
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	6	1,721,562	-	-	40	865,718
Total						
Hedging	5	1,510,582	1	316,500	40	865,718
Market Making	6	1,721,562	-	-	40	865,718

Counter parties	2016					
	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	2	675,193	-	-	30	1,034,994
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	2	675,193	-	-	30	1,034,994
Total						
Hedging	2	675,193	-	-	30	1,034,994
Market Making	2	675,193	-	-	30	1,034,994

24.2 Maturity analysis

Remaining maturity	2017				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	24	682,674	(3,363)	3,363	-
Over 1 to 3 months	36	802,035	(6,538)	6,538	-
Over 3 to 6 months	20	246,728	(3,058)	3,058	-
Over 6 months to 1 year	2	415,206	(5,646)	6,451	805
Over 1 to 2 years	2	414,968	(558)	1,656	1,098
Over 2 to 3 years	8	2,718,469	(8,913)	17,503	8,590

Remaining maturity	2016				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	16	568,337	(9,926)	9,926	-
Over 1 to 3 months	28	797,854	(3,294)	3,294	-
Over 3 to 6 months	16	703,797	(2,465)	2,465	-
Over 1 to 2 years	2	415,206	(3,970)	5,483	1,513
Over 3 to 5 years	2	935,180	(18,629)	25,399	6,770

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
25. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers		26,930,687	22,956,204
On investments in:			
Held for trading securities		2,179,942	86,415
Available for sale securities		43,200,510	42,809,595
Held to maturity securities		1,495,302	1,329,714
		46,875,754	44,225,724
On deposits with financial institutions		110,773	96,505
On securities purchased under resale agreements		70,708	101,182
On money at call		103,050	20,679
		<u>74,090,972</u>	<u>67,400,294</u>
26. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		22,074,386	18,313,434
Securities sold under repurchase agreements		7,589,627	3,515,529
Other short-term borrowings		1,247,083	1,040,150
Subordinated loan		138,081	-
Discount, commission and brokerage		604,269	655,224
Others		30,612	61,866
		<u>31,684,058</u>	<u>23,586,203</u>
27. GAIN ON SALE OF SECURITIES - NET			
Federal Government Securities			
Market Treasury Bills		11,121	3,963
Pakistan Investment Bonds		862,958	3,688,179
Other securities		25,653	-
Others			
Shares and units - Listed		3,846,926	1,984,868
		<u>4,746,658</u>	<u>5,677,010</u>
28. OTHER INCOME			
Rent on property / lockers		266,360	275,718
Net profit on sale of property and equipment		19,939	44,718
Gain on sale of non banking assets - net	28.1	514	-
Bad debts recovered		191,136	33,753
Compensation on tax refunds		-	1,201
Postal, SWIFT and other charges recovered		142,905	133,089
		<u>620,854</u>	<u>488,479</u>

28.1. This represents gain on sale of a non-banking asset.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
29. ADMINISTRATIVE EXPENSES			
Salaries and allowances		11,681,243	8,718,101
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	36.9	(571,586)	(516,462)
- Post retirement medical benefits	36.9	173,553	171,293
- Employees' contributory benevolent scheme	36.9	16,464	17,833
- Employees' compensated absences	36.9	237,072	228,691
		(144,497)	(98,645)
Contributions to defined contribution plan - provident fund		301,713	245,001
Non-executive directors' fees		38,692	35,432
Rent, taxes, insurance and electricity		3,441,079	2,686,634
Legal and professional charges		328,071	264,975
Communications		1,328,532	1,107,744
Repairs and maintenance		2,212,285	1,837,660
Stationery and printing		645,762	543,165
Advertisement and publicity		530,751	482,932
Cash transportation charges		631,131	550,710
Instrument clearing charges		137,662	127,658
Donations	29.1	11,817	12,700
Auditors' remuneration	29.2	40,876	24,064
Depreciation	11.2	1,729,288	1,572,546
Depreciation on Non-Banking Assets		29,947	29,216
Amortization of intangible assets	11.3	243,529	366,153
Travelling, conveyance and fuel		355,389	374,541
Subscription		17,943	26,633
Entertainment		234,966	186,470
Training expenses		60,098	50,811
Petty capital items		72,545	70,620
Card related expenses		527,723	414,809
Outsourced security guards, tea services and janitorial expenses etc		2,624,599	2,212,772
CNIC verification charges		107,363	76,456
Others		165,036	154,544
		<u>27,353,543</u>	<u>22,073,702</u>

29.1 Detail of donations made during the year is as follows:

	2017	2016
(Rupees in '000)		
Donations individually exceeding Rs.0.1 million		
Saleem Memorial Trust Hospital	5,000	-
SKMC Hospital & Research Center	1,500	1,376
Diabetic Association of Pakistan	1,000	-
The Indus Hospital	1,000	-
FRESH Foundation	767	-
Murshid Hospital & Charity Hospital Care Center	500	-
Rising Sun Education & Welfare Society	500	-
The Citizens Foundation	500	-
Pink Ribbon Hospital	500	1,484
Pakistan Association of the Blind	500	-
Children's Hospital Lahore	-	5,000
Govt Hospital Gwadar	-	1,000
Sri-Lanka Pakistan Friendship Association for rehabilitation of flood victims	-	715
The Institute of Chartered Accountants of Pakistan	-	2,000
Old Ravians Association Lahore	-	300
LUMS Entrepreneurial Society	-	300
Lahore Businessmen Association for Rehabilitation of the Disabled	-	400
Kinnaird Entrepreneurial Club	-	125
Donations individually not exceeding Rs.0.1 million	50	-
	<u>11,817</u>	<u>12,700</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

29.1.1 None of the directors, executives or their spouses had any interest in the donees, except for Mr. Shahzad Saleem who is a director in Saleem Memorial Trust Hospital.

	2017	2016
	(Rupees in '000)	
29.2 Auditors' remuneration		
Annual Audit fee	14,450	13,000
Fee for audit and other certifications of overseas branches	12,354	9,219
Other certifications	10,300	100
Sales tax	1,342	985
Out-of-pocket expenses	2,430	760
	40,876	24,064
30. OTHER CHARGES		
Penalties of State Bank of Pakistan	1,611	4,151
Workers welfare fund	620,284	721,494
VAT and Crop Insurance Levy - Sri Lanka	113,868	76,538
Education cess	27,353	24,436
Fixed assets written off	13	-
Impairment / loss on sale of Non-banking assets	-	88,985
	763,129	915,604
31. TAXATION		
For the year		
Current	3,609,900	12,386,090
Deferred	7,121,235	121,910
	10,731,135	12,508,000
Prior years		
Current	(2,175,828)	1,675,794
Deferred	-	-
	(2,175,828)	1,675,794
	8,555,307	14,183,794
31.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	31,014,208	36,074,690
Tax rate	35%	35%
Tax on income	10,854,973	12,626,142
Tax effect of permanent differences	564	1,453
Tax effect of prior years (reversals)/provisions	(2,175,828)	1,675,794
Others	(124,402)	(119,595)
Tax charge for the year	8,555,307	14,183,794
32. CREDIT RATING		

PACRA through its notification dated June 19, 2017 has maintained bank's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus].

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	2017	2016
	(Rupees in '000)	
33. BASIC AND DILUTED EARNING PER SHARE - AFTER TAX		
Profit after taxation	22,458,901	21,890,896
	(Number of shares)	
Weighted average number of shares outstanding during the year	1,147,960,005	1,113,030,748
	(Rupees)	
Basic and diluted earnings per share - after tax	19.56	19.67

33.1 The Bank issued 72,029,258 shares in pursuant to NIB Bank Limited amalgamation with and into MCB Bank Limited.

	Note	2017	2016
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	106,072,084	74,222,347
Balances with other banks	7	4,579,275	4,343,841
Overdrawn nostro accounts	15	(1,108,634)	(159,526)
		<u>109,542,725</u>	<u>78,406,662</u>

34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

Particulars	Liabilities					Equity			Total
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated loan	Other liabilities	Share Capital	Reserves	Unappropriated profit	
	(Rupees in '000)								
Balance as at January 01, 2017	12,843,552	74,515,383	781,429,823	-	30,138,083	11,130,307	53,346,861	53,469,072	1,016,873,081
Changes from Financing cash flows									
Redemption of Subordinated loan	-	-	-	(779)	-	-	-	-	(779)
Dividend paid	-	-	-	-	-	-	-	(17,201,874)	(17,201,874)
Total changes from financing cash flows	-	-	-	(779)	-	-	-	(17,201,874)	(17,202,653)
Changes arising from business combination	2,938,190	24,278,649	81,740,844	4,192,997	4,495,374	720,293	14,956,903	-	133,323,250
Cancellation of Sub-ordinated loan on merger	-	-	-	(299,640)	-	-	-	-	(299,640)
Liability related									
Changes in bills payable	6,898,925	-	-	-	-	-	-	-	6,898,925
Changes in borrowings	-	34,275,524	-	-	-	-	-	-	34,275,524
Changes in Deposits and other accounts	-	-	105,311,968	-	-	-	-	-	105,311,968
Changes in Other liabilities	-	-	-	-	-	-	-	-	-
- Cash based	-	-	-	-	4,391,352	-	-	-	4,391,352
- Dividend payable	-	-	-	-	1,182,852	-	-	(1,182,852)	-
- Non cash based	-	-	-	-	786,571	-	-	-	786,571
Total liability related other changes	6,898,925	34,275,524	105,311,968	-	6,360,775	-	-	(1,182,852)	151,664,340
Total equity related other changes	-	-	-	-	-	-	2,562,709	18,691,711	21,254,420
Balance as at December 31, 2017	22,680,667	133,069,556	968,482,635	3,892,578	40,994,232	11,850,600	70,866,473	53,776,057	1,305,612,798

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Numbers)			
35. STAFF STRENGTH			
Permanent		13,014	10,951
Temporary/contractual basis		238	94
Bank's own staff strength at the end of the year		13,252	11,045
Outsourced	35.1	1,721	1,316
Total staff strength		14,973	12,361

35.1 This excludes outsourced security guards and tea services staff.

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

The Bank operates the following retirement benefits for its employees:

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

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

36.2 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2017. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	%	%	%	%	%	%
Valuation discount rate	8	8	8	8	8	8	8	8
Expected rate of return on plan assets	8	8	-	-	-	-	-	-
Salary increase rate	6.75	6.75	6.75	6.75	-	-	6.75	6.75
Medical cost inflation rate	-	-	-	-	6.5	5	-	-

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

36.3 Reconciliation of (Receivable from) / payable to defined benefit plans

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)									
Opening balance of									
(receivable) / payable	36.5	3,757,366	3,519,114	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870
Fair value of plan assets	36.6	(9,747,902)	(11,292,596)	-	-	-	-	-	-
Net (receivable) / payable		(5,990,536)	(7,773,482)	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

36.4 Movement in (receivable from) / payable to defined benefits plans

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences		
	2017	2016	2017	2016	2017	2016	2017	2016	
(Rupees in '000)									
	Opening balance of (receivable) / payable	(7,773,482)	(5,656,386)	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818
36.9	(Reversal) / charge for the year	(571,586)	(516,462)	16,464	17,833	173,553	171,293	237,072	228,691
	Employees' contribution	-	-	3,925	4,535	-	-	-	-
	Benefits paid	-	-	(38,189)	(42,261)	(149,108)	(150,554)	(145,807)	(161,639)
	Other comprehensive income	2,354,532	(1,600,634)	56,966	33,364	11,411	366,597	-	-
	Closing balance of (receivable) / payable	(5,990,536)	(7,773,482)	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870

36.5 Reconciliation of the present value of the defined benefit obligations

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences		
	2017	2016	2017	2016	2017	2016	2017	2016	
(Rupees in '000)									
	Opening balance	3,519,114	3,507,849	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818
	Current service cost	50,292	49,177	5,168	4,893	11,162	7,110	32,366	138,091
	Interest cost	265,940	326,678	15,221	17,475	162,391	164,183	78,477	90,600
	Benefits paid	(389,734)	(482,130)	(38,189)	(42,261)	(149,108)	(150,554)	(145,807)	(161,639)
	Actuarial (gain) / losses								
	- Loss from change in financial assumptions	-	-	-	41,666	-	278,335	-	-
	- Experience adjustment (gain) / loss	311,754	117,540	56,966	(8,302)	11,411	88,262	126,229	-
		311,754	117,540	56,966	33,364	11,411	366,597	126,229	-
	Closing balance	3,757,366	3,519,114	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870

36.6 Reconciliation of fair value of plan assets

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences		
	2017	2016	2017	2016	2017	2016	2017	2016	
(Rupees in '000)									
	Opening balance	11,292,596	9,164,235	-	-	-	-	-	-
	Expected return on plan assets	887,818	892,317	-	-	-	-	-	-
	Benefits paid	(389,734)	(482,130)	-	-	-	-	-	-
	Actuarial gain / (loss)	(2,042,778)	1,718,174	-	-	-	-	-	-
36.8	Closing balance	9,747,902	11,292,596	-	-	-	-	-	-

36.7 Actual return on plan assets

Actual return on plan assets	(1,154,960)	2,610,491	-	-	-	-	-	-
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36.8 Composition of fair value of plan assets

	Approved Pension Fund			
	2017		2016	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Listed equity shares	9,154,391	93.91	10,814,996	95.77
Open ended mutual funds units	264,431	2.71	186,609	1.65
Term Finance certificates	-	0.00	101,034	0.90
Cash and bank balances	329,080	3.38	189,957	1.68
Fair value of plan total assets	9,747,902	100	11,292,596	100

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

Shares of MCB	3,773,122	4,605,770
Bank balance with MCB	329,080	189,957
	4,102,202	4,795,727

Notes to and forming part of the Unconsolidated Financial Statements

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36.9 Charge for defined benefit plans

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

	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)							
Current service cost	50,292	49,177	5,168	4,893	11,162	7,110	32,366	138,091
Interest cost	265,940	326,678	15,221	17,475	162,391	164,183	78,477	90,600
Actuarial loss	-	-	-	-	-	-	126,229	-
Expected return on plan assets	(887,818)	(892,317)	-	-	-	-	-	-
Employees' contribution	-	-	(3,925)	(4,535)	-	-	-	-
	(571,586)	(516,462)	16,464	17,833	173,553	171,293	237,072	228,691

36.10. Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension fund as per actuarial's expected charge for 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. Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2018 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 year	(420,079)	54,781	221,588	113,157

36.11 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)			
Increase in discount Rate by 1	(278,150)	(14,397)	(240,853)	(75,655)
Decrease in discount Rate by 1 %	323,961	8,537	299,381	85,003
Increase in expected future increment in salary by 1%	98,197	-	-	85,213
Decrease in expected future increment in salary by 1%	(89,938)	-	-	(77,173)
Increase in Medical inflation rate by 1 %	-	-	225,752	-
Decrease in Medical inflation rate by 1 %	-	-	(192,274)	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

36.12 Five year data of defined benefit plan and experience adjustments

36.12.1 Pension Fund

	2017	2016	2015	2014	2013
	(Rupees in '000)				
Present value of defined benefit obligation	3,757,366	3,519,114	3,507,849	3,242,851	3,834,422
Fair value of plan assets	(9,747,902)	(11,292,596)	(9,164,235)	(10,506,105)	(9,688,629)
Surplus	(5,990,536)	(7,773,482)	(5,656,386)	(7,263,254)	(5,854,207)
Actuarial gain / (loss) on obligation	(311,754)	(117,540)	(246,503)	259,549	(83,090)
Actuarial gain / (loss) on assets	(2,042,778)	1,718,174	(2,136,268)	317,809	539,261

36.12.2 Employees' Contributory Benevolent Scheme

Present value of defined benefit obligation	248,518	209,352	195,881	179,409	213,438
Fair value of plan assets	-	-	-	-	-
	248,518	209,352	195,881	179,409	213,438
Actuarial gain / (loss) on obligation	(56,966)	(33,364)	(37,483)	(206)	4,974

36.12.3 Post Retirement Medical Benefits

Present value of defined benefit obligation	2,140,300	2,104,444	1,717,108	1,498,996	1,340,476
Fair value of plan assets	-	-	-	-	-
	2,140,300	2,104,444	1,717,108	1,498,996	1,340,476
Actuarial gain / (loss) on obligation	(11,411)	(366,597)	(194,623)	(189,018)	178,939

36.12.4 Compensated absences

Present value of defined benefit obligation	1,145,135	1,053,870	986,818	987,060	934,009
Fair value of plan assets	-	-	-	-	-
	1,145,135	1,053,870	986,818	987,060	934,009
Actuarial gain / (loss) on obligation	(126,229)	-	(31,248)	(173,480)	(564,126)

37. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 10,575 (2016: 8,144) employees where contributions are made by the Bank and employees at 8.33% per annum (2016: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs. 301.713 million (2016: Rs. 245.001 million) in respect of this fund.

The Bank also operates an approved non-contributory provident fund for 888 (2016: 958) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 12.50% per annum (2016: 8.33% to 12.5% per annum) of the basic salary.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for compensation, including all benefits, to the Chief Executive, Directors and Executives of the Bank is as follows:

	President / Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Fees	-	-	38,692	35,432	-	-
Managerial remuneration and bonus	73,667	68,973	-	-	2,935,963	2,293,195
Retirement benefits	2,866	2,654	-	-	127,748	104,815
Rent and house maintenance	15,476	14,330	-	-	688,028	526,904
Utilities	3,439	3,184	-	-	148,693	117,611
Medical	-	-	-	-	37,921	32,457
Conveyance	-	-	-	-	593,391	488,041
	95,448	89,141	38,692	35,432	4,531,744	3,563,023
Number of persons	1	1	13	15	1,599	1,209

- 38.1. The Chairman has been provided with free use of the Bank maintained car. In addition to the above, the Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates and subsidiaries is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.3 to these financial statements.

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

In the opinion of the management, the fair value of the financial assets and financial liabilities other than those carried at fair value and disclosed in note 39.1 are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

- 39.1. 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).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	Fair Value							
	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)								
On balance sheet financial instruments								
Financial assets measured at fair value								
Held for trading securities								
- Shares in listed companies	23,745	-	-	23,745	147,284	-	-	147,284
- Market Treasury Bills	4,974	-	-	4,974	-	-	-	-
	28,719	-	-	28,719	147,284	-	-	147,284
Available-for-sale securities								
- Market Treasury Bills	-	384,269,158	-	384,269,158	-	296,507,499	-	296,507,499
- Pakistan Investment Bonds	-	205,771,813	-	205,771,813	-	204,586,538	-	204,586,538
- Shares in listed companies & REIT	19,137,625	-	-	19,137,625	21,328,447	-	-	21,328,447
- NIT units	7,805	-	-	7,805	9,682	-	-	9,682
- Units in open ended mutual funds	-	555,479	-	555,479	-	-	-	-
- Sukuk Bonds	-	743,043	-	743,043	-	-	-	-
- Term Finance Certificates (TFCs)	-	612,857	-	612,857	-	335,958	-	335,958
	19,145,430	591,952,350	-	611,097,780	21,338,129	501,429,995	-	522,768,124
Non - Financial Assets measured at fair value								
Operating fixed assets (land and buildings)	-	32,414,791	-	32,414,791	-	27,046,090	-	27,046,090
Non-banking assets	-	4,310,611	-	4,310,611	-	1,203,360	-	1,203,360
Off balance sheet financial instruments								
FX options purchase and sale	-	1,731,436	-	1,731,436	-	2,069,988	-	2,069,988
Cross currency swaps	-	3,247,345	-	3,247,345	-	1,358,669	-	1,358,669
Interest Rate Swaps	-	311,792	-	311,792	-	-	-	-
Foreign exchange contracts purchase and sale	-	160,838,104	-	160,838,104	-	98,844,965	-	98,844,965

The valuation techniques used for above assets are same as disclosed in note 5.1 & 5.4 of these financial statements.

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 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 and forming part of the Unconsolidated Financial Statements

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Valuation techniques and inputs used in determination of fair values within level 2

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
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.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Inter segment elimination	Total
	(Rupees in '000)					
2017						
Total income	238,063	16,279,684	36,363,232	7,486,056	-	60,367,035
Total expenses	(62,963)	(6,217,114)	(21,996,106)	(1,076,644)	-	(29,352,827)
Income tax expense	-	-	-	-	-	(8,555,307)
Net income	175,100	10,062,570	14,367,126	6,409,412	-	22,458,901
Segment assets - (Gross of NPL's provision)	891,259	749,334,597	1,070,482,963	366,865,045	(829,309,717)	1,358,264,147
Advance taxation (payments less provisions)	-	-	-	-	-	13,633,808
Total assets	891,259	749,334,597	1,070,482,963	366,865,045	(829,309,717)	1,371,897,955
Segment non performing loans	-	-	14,977,331	33,775,289	-	48,752,620
Segment specific provision required	-	-	14,181,895	30,405,020	-	44,586,915
Segment liabilities	110,035	697,383,806	999,080,321	301,855,223	(829,309,717)	1,169,119,668
Deferred tax liability	-	-	-	-	-	4,625,035
Total liabilities - net	110,035	697,383,806	999,080,321	301,855,223	(829,309,717)	1,173,744,703
Segment return on assets (ROA) (%)	26.71%	2.17%	3.44%	2.22%	-	-
Segment cost of fund (%)	-	5.93%	3.37%	5.62%	-	-

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For the year ended December 31, 2017

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Inter segment elimination	Total
(Rupees in '000)						
2016						
Total income	212,178	23,360,910	30,219,691	6,196,019	-	59,988,798
Total expenses	(61,068)	(2,936,161)	(18,066,194)	(2,850,685)	-	(23,914,108)
Income tax expense	-	-	-	-	-	(14,183,794)
Net income	151,110	20,424,749	12,153,497	3,345,334	-	21,890,896
Segment assets - (Gross of NPL's provision)	741,464	653,964,530	838,078,987	286,263,865	(714,450,495)	1,064,598,351
Advance taxation (payments less provisions)	-	-	-	-	-	6,153,421
Total assets	741,464	653,964,530	838,078,987	286,263,865	(714,450,495)	1,070,751,772
Segment non performing loans	-	-	6,742,306	14,945,944	-	21,688,250
Segment specific provision required	-	-	6,724,007	12,214,084	-	18,938,091
Segment liabilities	198,800	563,476,119	787,695,002	262,007,415	(714,450,495)	898,926,841
Deferred tax liability	-	-	-	-	-	11,260,215
Total liabilities - net	198,800	563,476,119	787,695,002	262,007,415	(714,450,495)	910,187,056
Segment return on assets (ROA) (%)	28.62%	3.57%	3.63%	2.26%	-	-
Segment cost of fund (%)	-	6.04%	3.35%	5.74%	-	-

Total income = Net markup income + non-markup income

Total expenses = Non Mark up expenses + Provisions

Segment assets and liabilities include inter segment balances.

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

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

41 RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its associates, subsidiaries, companies with common directorship, employee benefit plans and its directors and key management personnel and their close family members. The detail of investment in subsidiary companies and associates are stated in Annexure I (note 7 & 8) to these financial statements.

The Bank enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Remuneration to Chief Executive, Directors and Executives is disclosed in note 38 to these financial statements.

Notes to and forming part of the Unconsolidated Financial Statements

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	Directors		Associates		Subsidiary Companies		Other Related Parties		Key Management	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)									
A. Balances										
Deposits										
Opening balance	2,542,067	1,719,008	2,568,584	2,859,600	38,868	12,836	5,852,008	6,649,313	105,761	139,106
Received during the year	3,686,510	4,109,808	37,478,917	23,764,390	1,632,422	1,931,975	60,757,429	59,464,882	751,440	501,750
Withdrawn during the year	(2,274,847)	(3,286,749)	(37,303,069)	(24,055,406)	(1,620,242)	(1,905,943)	(62,808,478)	(60,262,187)	(709,121)	(535,095)
Closing balance	3,953,730	2,542,067	2,744,432	2,568,584	51,048	38,868	3,800,959	5,852,008	148,080	105,761
Advances										
Opening balance	195	886	-	-	276,349	276,726	262,113	-	84,787	68,520
Additions / adjustments during the year	-	-	-	-	296,337	-	4,491,988	2,398,324	10,536	33,519
Repaid / adjustments during the year	(195)	(691)	-	-	(278,849)	(377)	(2,431,167)	(2,136,211)	(12,975)	(17,252)
Closing balance	-	195	-	-	293,837	276,349	2,322,934	262,113	82,348	84,787
Landings to Financial Institutions										
Opening balance	-	-	-	-	-	211,820	-	-	-	-
Additions / adjustments during the year	-	-	-	-	21,687,308	1,922,779	-	-	-	-
Repaid / adjustments during the year	-	-	-	-	(21,162,718)	(2,134,599)	-	-	-	-
Closing balance	-	-	-	-	524,590	-	-	-	-	-
Borrowings										
Opening balance	-	-	-	-	-	-	936,788	1,047,410	-	-
Additions / adjustments during the year	-	-	-	-	-	-	1,356,967	2,395,000	-	-
Repaid / adjustments during the year	-	-	-	-	-	-	(1,300,000)	(2,505,622)	-	-
Closing balance	-	-	-	-	-	-	936,755	936,788	-	-
Other Balances										
Outstanding balance of credit cards	946	731	-	-	-	-	1,674	225	1,819	2,537
Receivable from Pension Fund	-	-	-	-	-	-	5,990,537	7,773,482	-	-
Commitments and contingent liabilities - outstanding	-	-	9,840	10,361	-	-	976,586	373,856	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	577,292	-	17,562,997	3,241,054	-	-
Unrealized gain / (loss) on forward foreign exchange contracts - outstanding	-	-	-	-	(5,072)	-	68,442	17,286	-	-
Overdrawn nostro balance	-	-	-	-	39,993	1,683	-	-	-	-
Trade payable	-	-	39,730	30,601	-	-	-	-	-	-
Markup payable	12,586	7,266	8,063	7,985	144	76	22,553	19,968	113	449
Other payable	5,401	4,226	37	788	20,415	15,501	559	68,295	-	-
Other advances	-	-	3,199	2,999	-	-	27,929	51,492	-	-
Markup receivable	-	-	-	-	9,604	2,629	14,958	3,163	589	1,152
Other receivable	-	-	557	810	16,202	7,354	1,620	-	-	-
Commission receivable	-	-	48,253	114,557	2,565	32,052	-	1	-	-
Advance received against sale of property	-	-	-	-	20,000	20,000	-	-	-	-

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	Directors		Associates		Subsidiary Companies		Other Related Parties		Key Management	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)										
B. Transactions during the year										
Received against scheme of demerger	-	-	-	-	-	5,901,988	-	-	-	-
Received against staff finances	-	-	-	-	-	113,434	-	-	-	-
Insurance premium-net of refund	-	-	554,432	477,151	-	-	-	-	-	-
Insurance claim settled	-	-	13,110	9,280	-	-	-	-	-	-
Markup income on advances and lendings	2	28	-	-	77,601	21,292	64,549	23,597	6,030	4,841
Forward exchange contracts matured during the year	-	-	-	-	-	-	67,058,454	55,539,270	-	-
Gain / (loss) on forward foreign exchange contracts matured during the year	-	-	-	-	-	-	213,322	(68,666)	-	-
Dividend income	-	-	302,497	273,641	120,109	120,109	48,301	5,627	-	-
Commission income	-	-	929,674	738,442	128,086	132,695	6,818	12,892	-	-
Rent income and reimbursement of other expenses	-	-	3,341	3,088	27,054	10,972	3,240	3,240	-	-
Outsourcing service expenses	-	-	177,579	138,996	-	-	-	-	-	-
Sale of foreign currency	-	-	-	-	9,540,546	431,594	-	-	-	-
Purchase of foreign currency	-	-	-	-	4,121,570	1,425,827	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	36	50
Gain / (loss) on sale of fixed assets	-	-	-	-	151	-	-	-	36	50
Cash sorting expenses	-	-	-	-	-	-	96,648	55,168	-	-
Stationery expenses	-	-	-	-	-	-	185,132	175,539	-	-
Security guards expenses	-	-	-	-	-	-	388,231	418,302	-	-
Remuneration and non-executive directors fee	134,140	124,573	-	-	-	-	-	-	414,100	408,837
Markup expense	105,126	75,468	69,138	57,384	871	623	157,881	245,689	1,036	1,202
Clearing expenses paid to NIFT	-	-	-	-	-	-	136,080	126,393	-	-
Contribution to provident fund	-	-	-	-	-	-	301,713	245,001	-	-
Rent and other expenses	-	-	4,656	6,811	8,229	8,925	52,640	21,370	-	-
Sale of government securities	-	-	6,568,012	3,100,904	-	-	54,075,755	9,453,431	-	-
Purchase of government securities	-	-	5,535,578	7,094,110	-	-	41,411,268	10,165,703	-	-
Gain / (loss) on sale of government securities	-	-	48	(24)	-	-	5,127	3,173	-	-
Donation during the year	-	-	-	-	-	-	5,000	-	-	-
Miscellaneous expenses and payments	-	-	-	-	97,585	6,299	66,909	44,232	-	-

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 and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Applications

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

42.2 Capital Management

Objectives and goals of managing capital

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

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

Statutory minimum capital requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2013. The raise was to be achieved in a phased manner requiring Rs.10 billion paid up capital (net of losses) by the end of the financial year 2013. The paid up capital of the Bank for the year ended December 31, 2017 stands at Rs. 11.851 billion and is in compliance with the SBP requirement.

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

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

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

- *Capital Conservation Buffer (CCB) Consisting of CET1 only

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Bank's regulatory capital is analysed into three tiers.

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

The deduction from Tier 1 Capital include mainly:

- i) Book value of goodwill / intangibles;
 - ii) Deficit on revaluation of available for sale investments
 - iii) Defined-benefit pension fund net assets
 - iv) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
 - v) Investment in mutual funds above a prescribed ceiling;
 - vi) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
 - vii) 50% of deductions on account of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.
- Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and investments up to a maximum of 45 % of the balance and 80% of remaining 55% for 2017 and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2.

The deductions from Tier 2 include mainly:

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

The required capital adequacy ratio including CCB (11.275% of the risk-weighted assets) is achieved by the Bank through retention of profit, improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

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

The Bank remained compliant with all regulatory capital requirements through out the year.

Notes to and forming part of the Unconsolidated Financial Statements

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42.3 Capital Adequacy Ratio

	2017	2016
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital	11,850,600	11,130,307
2 Balance in Share Premium Account	23,751,114	9,702,528
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	45,723,049	43,477,159
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits	53,776,057	53,469,072
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	135,100,820	117,779,066
10 Total regulatory adjustments applied to CET1 (Note 42.3.1)	5,970,769	5,780,491
11 Common Equity Tier 1	129,130,051	111,998,575
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 42.3.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	129,130,051	111,998,575
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	3,114,062	-
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Base1 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,115,091	759,839
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	10,987,313	9,671,131
29 of which: Unrealized gains/losses on AFS	4,083,427	8,689,317
30 Foreign Exchange Translation Reserves	483,993	167,174
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	19,783,886	19,287,461
33 Total regulatory adjustment applied to T2 capital (Note 42.3.3)	1,686,595	2,317,737
34 Tier 2 capital (T2) after regulatory adjustments	18,097,291	16,969,724
35 Tier 2 capital recognized for capital adequacy	18,097,291	16,969,724
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	18,097,291	16,969,724
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	147,227,342	128,968,299
39 Total Risk Weighted Assets (RWA) (for details refer Note 42.6)	895,414,736	667,195,434
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	14.42%	16.79%
41 Tier-1 capital to total RWA	14.42%	16.79%
42 Total capital to total RWA	16.44%	19.33%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.00%	6.00%
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	8.42%	10.79%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	6.00%
49 Tier 1 minimum ratio	7.50%	7.50%
50 Total capital minimum ratio	10.00%	10.00%
51 Total capital minimum ratio plus CCB	11.275%	10.65%
Leverage Ratio		
Tier 1 Capital	129,130,051	111,998,575
Total Exposures	1,683,406,323	1,304,008,383
Leverage Ratio	7.67%	8.59%

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

Regulatory Adjustments and Additional Information

		2017	2016	
		Amount	Amounts subject to Pre - Basel III treatment	
(Rupees in '000)				
42.3.1	Common Equity Tier 1 capital: Regulatory adjustments			
1	Goodwill (net of related deferred tax liability)	-	-	-
2	All other intangibles (net of any associated deferred tax liability)	553,010		431,096
3	Shortfall in provisions against classified assets	-		-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-
5	Defined-benefit pension fund net assets	3,115,078	3,893,848	3,031,658
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	582,288		-
7	Cash flow hedge reserve	-		-
8	Investment in own shares/ CET1 instruments	-		-
9	Securitization gain on sale	-		-
10	Capital shortfall of regulated subsidiaries	-		-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
15	Amount exceeding 15% threshold	-		-
16	of which: significant investments in the common stocks of financial entities	-		-
17	of which: deferred tax assets arising from temporary differences	-		-
18	National specific regulatory adjustments applied to CET1 capital	-		-
19	Investments in TFCs of other banks exceeding the prescribed limit	571,247		-
20	Any other deduction specified by SBP (mention details)	-		-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions*	1,149,146		2,317,737
22	Total regulatory adjustments applied to CET1	5,970,769		5,780,491
42.3.2	Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-		-
24	Investment in own AT1 capital instruments	-		-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	1,149,146		2,317,737
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-
30	Total regulatory adjustment applied to AT1 capital*	-		-
*As the Bank has no Tier 1 capital, deduction was made from CET1.				
42.3.3	Tier 2 Capital: regulatory adjustments			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	1,149,146		2,317,737
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	537,449		-
33	Investment in own Tier 2 capital instrument	-		-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
36	Total regulatory adjustment applied to T2 capital	1,686,595		2,317,737

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

	2017	2016
	(Rupees in '000)	
42.3.4 Additional Information		
Risk Weighted Assets subject to pre-BaseI III treatment		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-BaseI III Treatment)	-	-
(i) of which: deferred tax assets	-	-
(ii) of which: Defined-benefit pension fund net assets	778,770	2,021,105
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
38 Non-significant investments in the capital of other financial entities	-	-
39 Significant investments in the common stock of financial entities	-	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	1,115,091	759,839
42 Cap on inclusion of provisions in Tier 2 under standardized approach	7,924,968	5,661,857
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

42.4 Capital Structure Reconciliation

Step 1	Balance sheet as per published financial statements As at 31-12- 2017	Under regulatory scope of consolidation As at 31-12- 2017
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	106,072,084	106,072,084
Balances with other banks	4,579,275	4,579,275
Lending to financial institutions	4,398,114	4,398,114
Investments	656,963,632	656,963,632
Advances	469,355,849	469,355,849
Operating fixed assets	39,573,932	39,573,932
Deferred tax assets	-	-
Other assets	46,368,154	46,368,154
Total assets	1,327,311,040	1,327,311,040
Liabilities & Equity		
Bills payable	22,680,667	22,680,667
Borrowings	133,069,556	133,069,556
Deposits and other accounts	968,482,635	968,482,635
Sub-ordinated loans	3,892,578	3,892,578
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	4,625,035	4,625,035
Other liabilities	40,994,232	40,994,232
Total liabilities	1,173,744,703	1,173,744,703
Share capital	11,850,600	11,850,600
Reserves	70,866,473	70,866,473
Unappropriated profit	53,776,057	53,776,057
Minority Interest	-	-
Total Equity	136,493,130	136,493,130
Surplus on revaluation of assets - net of tax	17,073,207	17,073,207
Total liabilities & equity	1,327,311,040	1,327,311,040

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

Step 2

Balance sheet as per published financial statements **Under regulatory scope of consolidation** **(Ref)**
As at 31-12- 2017 As at 31-12- 2017

(Rupees in '000)

Assets

Cash and balances with treasury banks	106,072,084	106,072,084	
Balances with other banks	4,579,275	4,579,275	
Lending to financial institutions	4,398,114	4,398,114	
Investments	656,963,632	656,963,632	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	571,247	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	1,119,737	-	d
of which: others	-	-	e
Advances	469,355,849	469,355,849	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	1,115,091	1,115,091	g
Fixed Assets	39,573,932	39,573,932	
of which: Intangibles	553,010	553,010	k
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	46,368,154	46,368,154	
of which: Goodwill	-	-	j
of which: Defined-benefit pension fund net assets	5,990,536	5,990,536	l
Total assets	1,327,311,040	1,327,311,040	

Liabilities & Equity

Bills payable	22,680,667	22,680,667	
Borrowings	133,069,556	133,069,556	
Deposits and other accounts	968,482,635	968,482,635	
Sub-ordinated loans	3,892,578	3,892,578	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	3,114,062	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	4,625,035	4,625,035	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	2,096,688	2,096,688	q
of which: other deferred tax liabilities	2,528,347	2,528,347	r
Other liabilities	40,994,232	40,994,232	
Total liabilities	1,173,744,703	1,173,744,703	
Share capital	35,601,714	35,601,714	
of which: amount eligible for CET1	35,601,714	35,601,714	s
of which: amount eligible for AT1	-	-	t
Reserves	47,115,359	47,115,359	
of which: portion eligible for inclusion in CET1 (general reserve & statutory reserve)	45,723,049	45,723,049	u
of which: portion eligible for inclusion in Tier 2	483,993	483,993	v
Unappropriated profit	53,776,057	53,776,057	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	17,073,207	17,073,207	
of which: Revaluation reserves on fixed assets	12,345,295	12,345,295	aa
of which: Unrealized Gains/Losses on AFS	4,588,120	4,588,120	
of which: Revaluation reserves on Non-banking assets	139,792	139,792	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	153,566,337	153,566,337	
Total liabilities & Equity	1,327,311,040	1,327,311,040	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2	
(Rupees in '000)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital	11,850,600	(s)
2	Balance in Share Premium Account	23,751,114	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	45,723,049	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/(losses)	53,776,057	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	CET 1 before Regulatory Adjustments	135,100,820	
Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	553,010	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	((h) - (r)) * 80%
13	Defined-benefit pension fund net assets	3,115,078	((l) - (q)) * 80%
14	Reciprocal cross holdings in CET1 capital instruments	582,288	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	571,247	
28	Any other deduction specified by SBP	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,149,146	
30	Total regulatory adjustments applied to CET1	5,970,769	
31	Common Equity Tier 1	129,130,051	
Additional Tier 1 (AT 1) Capital			
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	(t)
33	of which: Classified as equity	-	(m)
34	of which: Classified as liabilities	-	(y)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments			
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	1,149,146	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
45	Total of Regulatory Adjustment applied to AT1 capital	-
46	Additional Tier 1 capital	-
47	Additional Tier 1 capital recognized for capital adequacy	-
48	Tier 1 Capital (CET1 + admissible AT1)	129,130,051
	Tier 2 Capital	
49	Qualifying Tier 2 capital instruments under Basel III	3,114,062 (n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	- (z)
52	of which: instruments issued by subsidiaries subject to phase out	-
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,115,091 (g)
54	Revaluation Reserves eligible for Tier 2	15,070,740
55	of which: Revaluation reserves on fixed assets	10,987,313 portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	4,083,427
57	Foreign Exchange Translation Reserves	483,993 (v)
58	Undisclosed/Other Reserves (if any)	-
59	T2 before regulatory adjustments	19,783,886
	Tier 2 Capital: regulatory adjustments	
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	1,149,146
61	Reciprocal cross holdings in Tier 2 instruments	537,449
62	Investment in own Tier 2 capital instrument	-
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	- (ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	- (af)
65	Amount of Regulatory Adjustment applied to T2 capital	1,686,595
66	Tier 2 capital (T2)	18,097,291
67	Tier 2 capital recognized for capital adequacy	18,097,291
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-
69	Total Tier 2 capital admissible for capital adequacy	18,097,291
70	TOTAL CAPITAL (T1 + admissible T2)	147,227,342

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42.5 Main Features Template of Regulatory Capital Instruments

Sr. No.	Description	Common Shares	Debt Instruments
1	Issuer	MCB Bank Limited	MCB Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	MCB	MCB - Tier II
3	Governing law(s) of the instrument	Relevant Capital Market Laws	Laws applicable in Pakistan
Regulatory treatment			
4	Transitional Basel III rules	Common equity Tier 1	Tier II Capital
5	Post-transitional Basel III rules	Common equity Tier 1	Tier II Capital
6	Eligible at solo/ group/ group&solo	Group & standalone	Group & standalone
7	Instrument type	Common Shares	Subordinated loan
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,850,600	3,114,062
9	Par value of instrument	PKR 10 per share	PKR 5000
10	Accounting classification	Shareholder equity	Subordinated loan
11	Original date of issuance	1947	19-Jun-14
12	Perpetual or dated	Perpetual	dated
13	Original maturity date	No maturity	19-Jun-22
14	Issuer call subject to prior supervisory approval	Not applicable	yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	"Callable with prior approval of SBP on or after five years from the date of issue"
16	Subsequent call dates, if applicable	Not applicable	Not applicable
Coupons / dividends			
17	Fixed or floating dividend/ coupon	Not applicable	Floating
18	coupon rate and any related index/ benchmark	Not applicable	Six months KIBOR (Ask side) + 1.15%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Not applicable	Not applicable
Convertible or non-convertible			
23	If convertible, conversion trigger (s)	Not applicable	The instrument will be subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Guidelines, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank.
24	If convertible, fully or partially	Not applicable	Fully
25	If convertible, conversion rate	Not applicable	To be determined in case of trigger event(s)
26	If convertible, mandatory or optional conversion	Not applicable	Mandatory
27	If convertible, specify instrument type convertible into	Not applicable	Common Equity Tier 1
28	If convertible, specify issuer of instrument it converts into	Not applicable	MCB Bank Limited
Write-down feature			
29	If write-down, write-down trigger(s)	Not applicable	The instrument will be subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Guidelines, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank.
30	If write-down, full or partial	Not applicable	May be written down fully or partially
31	If write-down, permanent or temporary	Not applicable	Permanent
32	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
33	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity ranks after all creditors and depositors	Subordinate to all other indebtedness to the Bank including deposits
34	Non-compliant transitioned features	No	None
35	If yes, specify non-compliant features	Not applicable	Not applicable

Notes to and forming part of the Unconsolidated Financial Statements

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42.6 Risk Weighted Assets

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

	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
(Rupees in '000)				
Credit Risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Corporate portfolio	38,678,783	25,304,164	306,357,221	212,578,173
Banks / DFIs	1,739,676	1,049,926	13,779,192	8,820,343
Public sector entities	834,457	708,512	6,609,354	5,952,146
Sovereigns / cash & cash equivalents	504,882	745,085	3,998,940	6,259,398
Loans secured against residential property	317,687	180,323	2,516,254	1,514,879
Retail	3,561,816	2,102,630	28,211,543	17,664,018
Past due loans	532,118	333,583	4,214,665	2,802,404
Operating fixed assets	4,926,542	3,847,387	39,020,922	32,321,576
Other assets	3,203,078	2,074,397	25,370,136	17,426,837
	54,299,038	36,346,007	430,078,226	305,339,774
Off-Balance Sheet				
Non-market related	21,335,676	14,264,525	168,990,279	119,835,080
Market related	123,570	65,452	978,743	549,861
	21,459,246	14,329,977	169,969,022	120,384,941
Equity Exposure Risk in the Banking Book				
Listed	480,267	799,779	3,803,980	6,718,875
Unlisted	3,806,078	2,440,799	30,146,226	20,504,952
	4,286,345	3,240,578	33,950,206	27,223,827
Total Credit Risk	80,044,629	53,916,562	633,997,455	452,948,542
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	3,471,852	4,001,465	43,398,150	50,018,313
Equity position risk	3,125,557	3,040,860	39,069,463	38,010,750
Foreign exchange risk	4,985,510	1,553,149	62,318,875	19,414,357
Total Market Risk	11,582,919	8,595,474	144,786,487	107,443,420
Operational Risk				
Capital requirement for operational risks	9,330,463	8,544,278	116,630,794	106,803,472
Total	100,958,011	71,056,314	895,414,736	667,195,434

	2017		2016	
	Required	Actual	Required	Actual
	(%)	(%)	(%)	(%)
Capital Adequacy Ratios				
CET1 to total RWA	6.00	14.42	6.00	16.79
Tier-1 capital to total RWA	7.50	14.42	7.50	16.79
Total capital to total RWA	10.00	16.44	10.00	19.33
Total capital plus CCB to total RWA	11.275	16.44	10.65	19.33

* As SBP capital requirement plus CCB of 11.275% (10.65% in 2016) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

Notes to and forming part of the Unconsolidated Financial Statements

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43. RISK MANAGEMENT

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

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

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM&PRC), the senior management and its relevant committees, i.e. the Management Credit and Risk Committee (MC&RC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring processes which are closely aligned with the activities of the bank. The framework combines core policies, procedures and process designs with broad oversight and is supported by an efficient monitoring mechanism across the bank to ensure that risks are kept within an acceptable level.

The Bank ensures that not only the relevant risks are identified but their implications are also considered and basis provided for managing and measuring the risks. Through Internal Control units, the Bank ensures that effective controls are in place to mitigate each of the identified risk.

Independent from business groups, Head of Risk Management reports functionally to the Risk Management & Portfolio Review Committee (RM&PRC) and administratively to the President; the RM&PRC convenes regular meetings to evaluate bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Risk Management Policy Formulation
- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management

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.

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43.1 CREDIT RISK

Credit risk arises from our dealings with individuals, corporate borrowers, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its lending and investment activities. It stems from Bank's both on and off-balance sheet activities. Credit risk makes up the largest part of the Bank's exposure. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Bank has developed rating systems and all its borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, Probability Default based internal credit risk rating (ICRR) system based on the statistical modeling and validation in line with Basel principles. The revamped ICRR is currently focused on Corporate Commercial and Corporate Large customer categories. The Internal Credit Risk Rating Model for rating of SME Customers has also been revamped to achieve more accurate results and to improve the quality of credit decisions.

In order to manage bank's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control is responsible for performing following activities:

- Credit disbursement authorization
- Collateral coverage and monitoring
- Compliance of loan covenants/ terms of approval
- Maintenance/ custody of collateral and security documentation
- Credit Risk Limit Controls

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulations.

The Bank creates specific provision against Non-Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans and Small enterprise (SEs) made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Please refer note No. 10.4 for reconciliation of changes in specific and general provisions.

Management of Non Performing Loans

The Bank has a Assets Rehabilitation Group (ARG), which is responsible for management of non performing loans. ARG undertakes restructuring / rescheduling of problem loans, as well as litigation of both civil and criminal cases for collection of debt.

Stress Testing

Credit Risk stress testing is a regular exercise. Bank's credit exposures including funded and non-funded facilities are subjected to stress tests. This exercise is conducted on a quarterly basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

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43.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of advances (gross), deposits, contingencies and commitments.

	2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	Rupees in '000)	Percent (%)	Rupees in '000)	Percent (%)
Agri, feed, forestry , poultry	12,509,126	2.43	27,172,552	2.81	1,594,377	0.35
Textile	78,548,134	15.25	6,642,616	0.69	16,732,614	3.65
Chemical, petroleum and pharmaceuticals	60,380,053	11.72	7,339,848	0.76	20,496,553	4.47
Cement	6,419,049	1.25	1,045,237	0.11	6,509,373	1.42
Sugar	31,204,998	6.06	5,016,822	0.52	3,298,893	0.72
Footwear and leather garments	3,439,689	0.67	635,263	0.07	642,775	0.14
Automobile and transportation equipment	541,474	0.11	5,572,957	0.58	2,285,521	0.50
Electronics and electrical appliances	5,040,435	0.98	1,090,252	0.11	2,536,580	0.55
Construction, engineering and steel	25,534,705	4.96	46,929,054	4.85	19,856,569	4.33
Power (electricity), gas, water, sanitary	36,727,906	7.13	32,722,853	3.38	12,060,167	2.63
Wholesale, retail trade and distribution	39,200,502	7.61	43,563,664	4.50	17,815,839	3.88
Transport, storage and communication	77,155,527	14.98	8,156,758	0.84	29,865,018	6.51
Financial	10,639,012	2.07	15,307,859	1.58	233,252,082	50.84
Insurance	306,310	0.06	6,403,270	0.66	13,702	0.00
Services	18,192,027	3.53	66,888,490	6.91	52,922,039	11.54
Individuals	41,341,614	8.03	600,744,849	62.03	8,349,915	1.82
Others	67,877,294	13.18	93,250,291	9.63	30,543,199	6.67
	<u>515,057,855</u>	<u>100</u>	<u>968,482,635</u>	<u>100</u>	<u>458,775,216</u>	<u>100</u>

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	Rupees in '000)	Percent (%)	Rupees in '000)	Percent (%)
Agri, feed, forestry , poultry	13,900,829	3.78	37,843,052	4.84	2,273,174	0.74
Textile	40,028,820	10.88	3,843,611	0.49	14,838,060	4.82
Chemical, petroleum and pharmaceuticals	63,385,948	17.23	8,404,967	1.08	33,644,432	10.94
Cement	2,896,286	0.79	1,009,550	0.13	3,014,284	0.98
Sugar	22,834,984	6.21	2,609,739	0.33	3,894,221	1.27
Footwear and leather garments	1,387,658	0.38	502,784	0.06	950,953	0.31
Automobile and transportation equipment	157,495	0.04	3,429,146	0.44	1,369,575	0.45
Electronics and electrical appliances	2,584,752	0.70	517,263	0.07	2,320,872	0.75
Construction, engineering and steel	20,822,544	5.66	20,419,706	2.61	18,677,985	6.07
Power, energy, gas, water, sanitary	26,817,029	7.29	22,898,469	2.93	7,996,860	2.60
Wholesale, retail trade and distribution	30,554,545	8.31	35,759,032	4.58	14,724,548	4.79
Transport, storage and communication	60,466,661	16.44	3,966,966	0.51	32,287,950	10.50
Financial	7,876,113	2.14	12,360,942	1.58	109,452,049	35.59
Insurance	348,053	0.09	5,175,234	0.66	17,623	0.01
Services	9,870,278	2.68	59,052,449	7.56	31,832,698	10.35
Individuals	25,371,035	6.90	493,002,533	63.09	5,552,508	1.81
Others	38,511,517	10.47	70,634,380	9.04	24,718,069	8.04
	<u>367,814,547</u>	<u>100</u>	<u>781,429,823</u>	<u>100</u>	<u>307,565,861</u>	<u>100</u>

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	2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000)	Percent (%)	Rupees in '000)	Percent (%)	Rupees in '000)	Percent (%)
43.1.1.2 Segment by sector						
Public / Government	88,686,569	17.22	85,371,597	8.81	86,508,681	18.86
Private	426,371,286	82.78	883,111,038	91.19	372,266,535	81.14
	515,057,855	100	968,482,635	100	458,775,216	100

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000)	Percent (%)	Rupees in '000)	Percent (%)	Rupees in '000)	Percent (%)
Public / Government	85,242,013	23.18	64,448,485	8.25	67,705,171	22.01
Private	282,435,762	76.79	716,981,338	91.75	239,860,690	77.99
	367,814,547	100	781,429,823	100	307,565,861	100

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

	2017		2016	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agri, feed, forestry , poultry	413,606	353,969	309,578	271,978
Textile	13,628,172	13,344,535	3,312,843	3,310,628
Chemical, petroleum and pharmaceuticals	636,337	616,340	370,687	370,687
Cement	392,862	392,862	-	-
Sugar	2,527,266	2,446,248	897,727	897,727
Footwear and leather garments	340,408	326,284	20,418	20,418
Automobile and transportation equipment	495,144	425,487	6,998	6,998
Electronics and electrical appliances	119,039	113,069	276,504	276,504
Construction, engineering and steel	2,128,214	2,069,489	1,337,372	1,337,372
Power (electricity), gas, water, sanitary	384,221	382,424	1,899	1,899
Wholesale, retail trade and distribution	11,306,488	8,547,107	3,108,281	3,034,196
Transport, storage and communication	747,991	635,112	68,597	68,596
Financial	777,469	777,469	765,272	765,272
Services	1,741,218	1,607,140	751,386	750,262
Individuals	4,629,345	4,162,444	2,944,690	2,930,873
Others	8,484,840	8,386,936	7,515,998	4,894,681
	48,752,620	44,586,915	21,688,250	18,938,091

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

Public/ Government	639,825	639,825	639,825	639,825
Private	48,112,795	43,947,090	21,048,425	18,298,266
	48,752,620	44,586,915	21,688,250	18,938,091

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43.1.1.5 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	30,141,790	1,285,291,195	145,679,174	443,573,858
South Asia	512,888	20,812,534	5,092,387	9,543,753
Middle East	359,530	21,207,311	2,794,776	5,657,605
	<u>31,014,208</u>	<u>1,327,311,040</u>	<u>153,566,337</u>	<u>458,775,216</u>
	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	35,639,016	1,019,418,814	134,820,819	296,208,886
South Asia	427,842	16,587,979	4,070,508	5,698,754
Middle East	7,832	15,806,888	2,735,298	5,658,221
	<u>36,074,690</u>	<u>1,051,813,681</u>	<u>141,626,625</u>	<u>307,565,861</u>

Total assets employed include intra group items of Rs. NIL (2016: Rs. NIL).

43.1.2 Credit Risk - General Disclosures

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

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

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

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

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

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

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Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

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

Credit Exposures subject to Standardized approach

Exposures	Rating	2017			2016		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
(Rupees in '000)							
Corporate	1	56,617,251	-	56,617,251	42,872,417	-	42,872,417
	2	26,953,778	-	26,953,778	11,323,962	-	11,323,962
	3,4	1,698,007	-	1,698,007	706,240	-	706,240
	5,6	-	-	-	-	-	-
	Unrated	243,246,526	-	243,246,526	174,336,987	-	174,336,987
	Bank	1	25,498,053	-	25,498,053	23,957,603	-
	2,3	2,722,469	-	2,722,469	893,628	-	893,628
	4,5	4,799,490	-	4,799,490	2,687,246	-	2,687,246
	6	32,752	-	32,752	-	-	-
	Unrated	7,261,337	-	7,261,337	2,394,878	-	2,394,878
Public Sector Entities in Pakistan	1	8,077,484	-	8,077,484	15,199,910	-	15,199,910
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	77,664,096	67,676,381	9,987,715	70,071,298	64,246,970	5,824,328
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash	1	108,842,520	-	108,842,520	72,398,163	-	72,398,163
	2	8,313,825	-	8,313,825	5,416,153	-	5,416,153
	3	-	-	-	-	-	-
	4,5	3,998,940	-	3,998,940	6,259,398	-	6,259,398
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Mortgage		7,189,296	-	7,189,296	4,328,225	-	4,328,225
Retail		37,615,390	-	37,615,390	23,552,024	-	23,552,024

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

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

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

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

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

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

Concentration of risk

Out of the total financial assets of Rs. 1,246,775.891 million (2016: Rs. 995,678.169 million) the financial assets which are subject to credit risk amounting to Rs. 1,204,317.004 million (2016: Rs. 956,584.565 million). To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 605,191.636 million (2016: Rs. 498,803.349 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 63,436.033 million (2016: Rs. 40,680.845 million) are held by the Bank with the State Bank of Pakistan and central banks of other countries.

43.1.3.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both trading and strategic purposes. The Bank has invested in its subsidiaries and associated companies to achieve long term strategic objectives. As of December 31, 2017 the composition of equity investments, subsidiaries and associated companies is as follows:

	Held for trading	Available for Sale	Subsidiary and Associates
	(Rupees in '000)		
Equity investments – publicly traded	29,396	23,811,314	1,015,774
Equity investments - others	-	1,520,789	10,578,910
Total value	29,396	25,332,103	11,594,684

Classification of equity investments

Bank classifies its equity investment portfolio in accordance with the directives of SBP as follows:

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

Policies, valuation and accounting of equity investments

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

In accordance with the requirements of the State Bank of Pakistan, quoted equity securities, other than investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account directly.

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Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements.

The cumulative realized gain of Rs. 3,846.926 million has been credited to profit & loss account from sale of equity securities; however unrealized gain of Rs. 1,148.386 million was recognized in the balance sheet in respect of "AFS" equity securities.

43.2 Market Risk Management

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. MCB is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign Exchange Group and the Capital Market Group. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Bank's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, 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 decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

In line with regulatory requirements, MCB has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market Risk by using different risk parameters with combinations of various limits. A specific Board approved Market Risk Limit Policy provides guidelines for assuming controlled market risk, its monitoring and management. The approved Limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Besides conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its treasury and capital market groups. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon.

A framework of stress testing, scenario analysis and reverse stress tests covering both banking and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by senior management and also reported to the SBP.

The Bank is also exposed to interest rate risk both in trading and banking books. Risk parameters along with the marked to market values of government securities held by the Bank's treasury are generated on daily basis. The risk parameters include duration, PVBP, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

43.2.1 Foreign Exchange Risk Management

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

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

Limit structure to manage Foreign exchange risk 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.

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	2017			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	1,251,578,291	1,083,991,840	(15,744,650)	151,841,801
Sri Lankan Rupee	20,799,971	20,812,534	4,081,628	4,069,065
United States Dollar	36,607,981	41,601,091	2,552,361	(2,440,749)
Arab Emirates Dirham	16,056,539	15,944,630	24,048	135,957
Pound Sterling	862,452	5,566,089	4,594,953	(108,684)
Japanese Yen	6,419	95	(1,785)	4,539
Euro	1,290,660	5,828,424	4,493,576	(44,188)
Other currencies	108,727	-	(131)	108,596
	<u>1,327,311,040</u>	<u>1,173,744,703</u>	<u>-</u>	<u>153,566,337</u>

	2016			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	990,062,277	847,695,076	(270,470)	142,096,731
Sri Lankan Rupee	16,560,096	16,587,979	(409,794)	(437,677)
United States Dollar	32,888,742	26,850,383	(5,918,466)	119,893
Arab Emirates Dirham	10,306,840	10,354,564	-	(47,724)
Pound Sterling	1,273,470	4,054,582	2,658,502	(122,610)
Japanese Yen	32,750	7	(31,961)	782
Euro	652,293	4,644,465	3,988,929	(3,243)
Other currencies	37,213	-	(16,740)	20,473
	<u>1,051,813,681</u>	<u>910,187,056</u>	<u>-</u>	<u>141,626,625</u>

43.2.2 Equity Price 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.

43.2.3 Country Risk

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

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

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

	Effective Yield/Interest rate	Total	Exposed to Yield/Interest risk							Not exposed to Yield/Interest Risk			
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Above 10 years		
(Rupees in '000)													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.37%	106,072,084	6,896,228	-	-	-	-	-	-	-	-	99,175,856	
Balances with other banks	1.85% to 11%	4,579,275	1,914,382	-	-	-	-	-	-	-	-	2,664,893	
Lendings to financial institutions	1.25% to 8.15%	4,398,114	4,398,114	-	-	-	-	-	-	-	-	-	
Investments - net	1.22% to 13.20%	645,368,948	162,281,603	292,801,534	28,669,663	70,402,828	59,425,727	26,031,477	41,194,066	3,715,859	-	20,846,201	
Advances - net	6.81%	469,355,849	396,220,249	29,347,185	6,781,742	2,515,534	2,729,759	4,441,575	11,613,376	10,715,502	4,990,927	-	
Other assets - net		17,001,621	-	-	-	-	-	-	-	-	-	17,001,621	
		1,246,775,891	571,710,576	262,148,719	35,451,395	72,918,362	62,155,486	30,473,052	52,807,442	14,431,361	4,990,927	139,688,571	
Liabilities													
Bills payable		22,680,667	-	-	-	-	-	-	-	-	-	-	22,680,667
Borrowings	0.75% to 11.15%	133,069,556	93,340,927	13,446,429	12,604,346	6,937,734	6,740,120	-	-	-	-	-	-
Deposits and other accounts	3.75% to 11.5%	968,482,635	530,801,326	17,334,174	13,758,172	24,724,251	2,242,536	1,179,924	1,358,753	-	-	-	377,083,499
Sub-ordinated loan	7.36%	3,892,578	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		28,174,349	-	-	-	-	-	-	-	-	-	-	28,174,349
		1,156,299,785	624,142,253	30,780,603	30,255,096	31,661,985	8,982,656	1,179,924	1,358,753	-	-	-	427,938,515
On-balance sheet gap		90,476,106	(52,431,677)	231,368,116	5,196,299	41,256,377	53,172,830	29,293,128	51,448,689	14,431,361	4,990,927	(288,249,944)	
Off-balance sheet financial instruments													
FX options purchase		865,718	341,337	401,018	123,363	-	-	-	-	-	-	-	-
Outright purchase of Government Securities		7,000,000	7,000,000	-	-	-	-	-	-	-	-	-	-
Cross currency swaps - long position		1,510,582	-	-	207,603	207,603	207,484	1,095,495	-	-	-	-	-
Foreign exchange contracts Purchase		85,101,993	40,264,340	25,658,086	18,890,209	289,358	-	-	-	-	-	-	-
		94,478,293	47,605,677	26,059,104	19,013,572	496,961	207,484	1,095,495	-	-	-	-	-
FX options sale		865,718	341,337	401,018	123,363	-	-	-	-	-	-	-	-
Forward repurchase agreement borrowings		-	-	-	-	-	-	-	-	-	-	-	-
Interest rate swaps		316,500	-	-	-	-	-	316,500	-	-	-	-	-
Cross currency swaps - long position		1,721,562	-	-	207,603	207,603	207,484	1,306,475	-	-	-	-	-
Foreign exchange contracts Sale		75,210,455	30,449,021	25,783,177	17,111,940	1,681,766	123,611	60,940	-	-	-	-	-
		78,114,235	30,790,358	26,184,195	17,235,303	1,889,369	331,095	1,683,915	-	-	-	-	-
Off-balance sheet gap		16,364,058	16,815,319	(125,091)	1,778,289	(1,392,408)	(123,611)	(588,420)	-	-	-	-	-
Total yield / interest risk sensitivity gap		(65,616,356)	231,243,025	6,974,588	39,863,969	53,049,219	28,704,708	51,448,689	14,431,361	4,990,927	-	-	
Cumulative yield / interest risk sensitivity gap		(65,616,356)	195,626,667	202,601,235	242,465,204	295,514,423	324,219,131	375,667,820	390,099,181	395,090,108	-	-	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

	Effective Yield/Interest rate	Total	Exposed to Yield/ Interest risk							Not exposed to Yield/ Interest Risk		
			2016									
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years	Above 10 years
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0%	74,222,347	4,468,181	-	-	-	-	-	-	-	-	69,754,166
Balances with other banks	1.65% to 13%	4,343,841	1,295,738	-	-	-	-	-	-	-	-	3,048,103
Lending to financial institutions	5.80% to 8.42%	2,809,752	2,809,752	-	-	-	-	-	-	-	-	-
Investments - net	0.24% to 13.20%	544,237,370	39,817,389	12,170,079	43,808,618	93,048,500	14,393,084	39,926,663	27,236,787	-	-	21,547,057
Advances - net	7.20%	348,116,617	252,380,507	52,245,965	4,198,638	13,878,178	9,203,235	6,010,648	5,587,662	1,816,536	2,795,248	-
Other assets - net		21,948,242	-	-	-	-	-	-	-	-	-	21,948,242
		995,678,169	300,771,567	304,535,158	16,368,717	57,868,796	102,251,735	20,403,732	45,514,325	29,053,323	2,795,248	116,297,568
Liabilities												
Bills payable		12,845,552	-	-	-	-	-	-	-	-	-	12,845,552
Borrowings	1% to 10.50%	74,515,383	42,784,630	10,384,163	3,127,287	3,079,789	-	-	-	-	-	-
Deposits and other accounts	3.75% to 11.64%	781,429,823	443,625,746	12,819,434	15,009,194	9,931,237	190,322	1,143,180	678,983	-	-	298,031,727
Other liabilities		26,309,799	-	-	-	-	-	-	-	-	-	26,309,799
		895,098,557	486,410,376	23,203,597	18,138,481	25,070,751	3,270,111	1,143,180	678,983	-	-	337,165,078
		100,579,612	(185,638,809)	281,331,561	39,550,315	(8,702,034)	98,981,624	19,260,552	44,835,342	29,053,323	2,795,248	(220,887,510)
On-balance sheet gap												
Off-balance sheet financial instruments												
FX options purchase		1,034,994	284,169	396,008	-	354,818	-	-	-	-	-	-
Outright purchase of Government Securities		200,850	200,850	-	-	-	-	-	-	-	-	-
Cross currency swaps - long position		675,193	-	-	-	-	207,603	-	467,590	-	-	-
Foreign exchange contracts Purchase		49,411,339	23,748,341	16,474,070	8,936,234	252,694	-	-	-	-	-	-
		51,322,376	24,233,360	16,870,078	9,291,052	252,694	207,603	-	467,590	-	-	-
FX options sale		1,034,994	284,169	396,008	-	354,818	-	-	-	-	-	-
Forward repurchase agreement borrowings		1,000,000	1,000,000	-	-	-	-	-	-	-	-	-
Interest rate swaps		400,000	400,000	-	-	-	-	-	-	-	-	-
Cross currency swaps - long position		675,193	-	-	-	-	207,603	-	467,590	-	-	-
Foreign exchange contracts Sale		49,341,990	24,557,217	10,861,435	4,585,281	9,338,057	-	-	-	-	-	-
		52,452,177	26,241,386	11,257,443	4,585,281	9,692,875	207,603	-	467,590	-	-	-
		(1,129,801)	(2,008,026)	5,612,635	(4,332,587)	(401,823)	-	-	-	-	-	-
		(187,646,835)	(187,646,835)	286,944,196	(9,103,857)	35,217,728	98,981,624	19,260,552	44,835,342	29,053,323	2,795,248	-
Total yield / interest risk sensitivity gap												
		(187,646,835)	(187,646,835)	99,287,361	125,411,232	90,193,504	224,392,856	243,853,408	288,488,750	317,542,073	320,337,321	-
Cumulative yield / interest risk sensitivity gap												
		1,327,311,040	1,051,813,681	1,173,744,703	910,187,056	12,819,883	3,828,284	11,260,215	15,088,499	895,098,557	-	-

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

Reconciliation to total assets	2017		2016	
	(Rupees in '000)		(Rupees in '000)	
Balance as per balance sheet	1,327,311,040	1,051,813,681	1,173,744,703	910,187,056
Less: Non financial assets	11,594,684	11,691,183	12,819,883	3,828,284
Investments	39,573,932	32,752,672	4,625,035	11,260,215
Operating fixed assets	29,386,533	11,691,657	17,444,918	15,088,499
Other assets	80,535,149	56,135,512	1,156,299,765	895,098,557
Total financial assets	1,246,775,891	995,678,169	1,156,299,765	895,098,557
Reconciliation to total liabilities				
Balance as per balance sheet				
Less: Non financial liabilities				
Other liabilities				
Deferred tax liability				
Total financial liabilities				

Notes to and forming part of the Unconsolidated Financial Statements

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43.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Bank understands that liquidity does not come for free, and surplus liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Liquidity is essential to the ability to operate financial services businesses and, therefore, the ability to maintain surplus levels of liquidity through economic cycles is crucial, particularly during periods of adverse conditions, liquidity management is among the most important activities that the MCB conducts during both normal and stress periods. MCB recognizes that liquidity risk can arise from the Bank's activities and can be grouped into three categories:

- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

Liquidity Management

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 and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

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

2017

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	106,072,084	106,072,084	-	-	-	-	-	-	-	-
Balances with other banks	4,579,275	4,579,275	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,398,114	4,398,114	-	-	-	-	-	-	-	-
Investments - net	656,963,632	163,546,554	232,862,112	22,996,637	67,820,810	58,469,019	42,284,925	42,203,219	15,206,397	11,593,959
Advances - net	469,355,849	185,459,732	75,030,236	32,260,189	25,659,432	34,179,337	35,117,990	46,959,735	28,103,217	6,585,981
Operating fixed assets	39,573,932	164,402	328,803	493,204	986,409	1,972,817	1,972,817	3,945,634	9,864,085	19,845,761
Deferred tax assets	3,282,517	-	-	-	3,282,517	-	-	-	-	-
Other assets - net	46,368,154	12,294,253	14,008,125	4,097,240	5,669,452	1,939	18,608	10,278,537	-	-
	1,330,593,557	476,514,414	322,229,276	59,847,270	103,418,620	94,623,112	79,374,340	103,387,125	53,173,699	38,025,701
Liabilities										
Bills payable	22,680,667	22,680,667	-	-	-	-	-	-	-	-
Borrowings	133,069,556	93,340,927	13,446,429	12,604,346	6,937,734	6,740,120	-	-	-	-
Deposits and other accounts	968,482,635	907,884,825	17,334,174	13,758,172	24,724,251	2,242,536	1,179,924	1,358,753	-	-
Sub-ordinated loan	3,892,578	-	-	779	779	1,557	1,557	3,887,906	-	-
Deferred tax liabilities	7,907,552	26,761	29,824	44,060	794,809	397,789	278,688	1,500,471	4,100,891	734,259
Other liabilities	40,994,232	15,333,567	3,352,813	5,059,968	3,633,658	4,491,765	437,133	982,415	7,702,923	-
	1,177,027,220	1,039,266,747	34,163,240	31,467,315	36,091,231	13,873,767	1,897,302	7,729,545	11,803,814	734,259
Net assets	153,566,337	(562,762,333)	288,066,036	28,379,955	67,327,389	80,749,345	77,477,038	95,657,580	41,369,885	37,291,442
Share capital	11,850,600									
Reserves	70,866,473									
Unappropriated profit	53,776,057									
Surplus on revaluation of assets - net of tax	17,073,207									
	153,566,337									

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

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

	2016									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	74,222,347	74,222,347	-	-	-	-	-	-	-	-
Balances with other banks	4,343,841	4,343,841	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,809,752	2,809,752	-	-	-	-	-	-	-	-
Investments - net	555,928,553	41,820,845	253,319,136	11,572,305	43,921,247	108,873,407	14,393,084	39,926,663	30,410,683	11,691,183
Advances - net	348,116,617	46,016,550	36,164,886	19,206,970	28,124,305	72,329,932	58,854,212	62,942,838	21,404,973	3,071,951
Operating fixed assets	32,752,672	161,558	323,117	484,675	969,350	1,938,699	1,938,699	3,877,398	9,693,495	13,365,681
Deferred tax assets	14,513	3,733	3,733	-	7,047	-	-	-	-	-
Other assets - net	33,639,889	8,649,116	10,581,428	1,628,815	3,795,426	5,483	25,399	8,954,232	-	-
	1,051,828,194	178,027,742	300,392,300	32,892,765	76,817,375	183,147,521	75,211,394	115,701,131	61,509,151	28,128,815
Liabilities										
Bills payable	12,843,552	12,843,552	-	-	-	-	-	-	-	-
Borrowings	74,515,383	42,784,630	10,384,163	15,139,514	3,127,287	3,079,789	-	-	-	-
Deposits and other accounts	781,429,823	741,657,473	12,819,434	9,931,237	15,009,194	190,322	1,143,180	678,983	-	-
Deferred tax liabilities	11,274,728	100,766	102,487	57,332	432,724	2,615,689	410,510	3,391,056	3,374,135	790,029
Other liabilities	30,138,063	12,010,424	3,483,693	6,230,268	2,534,795	3,198,139	374,209	709,206	1,597,349	-
	910,201,569	809,396,845	26,789,777	31,368,351	21,104,000	9,083,939	1,927,899	4,779,245	4,971,484	790,029
Net assets	141,626,625	(631,369,103)	273,602,523	1,534,414	55,713,375	174,063,582	73,283,495	110,921,886	56,537,667	27,338,786
Share capital	11,130,307									
Reserves	53,346,861									
Unappropriated profit	53,469,072									
Surplus on revaluation of assets - net of tax	23,680,385									
	141,626,625									

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

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

		2017									
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks	106,072,084	-	-	-	-	-	-	-	-	-	
Balances with other banks	4,579,275	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	4,398,114	-	-	-	-	-	-	-	-	-	
Investments - net	656,963,632	163,546,554	232,862,112	22,996,637	67,820,810	58,469,019	42,264,925	42,203,219	15,206,397	11,593,959	
Advances - net	489,355,849	94,381,769	63,604,822	23,804,319	16,088,109	69,988,673	71,714,489	82,849,288	40,523,156	6,421,224	
Operating fixed assets	39,573,932	164,402	328,803	493,204	986,409	1,972,817	1,972,817	3,945,634	9,864,085	19,845,761	
Deferred tax assets	3,282,517	-	-	-	3,282,517	-	-	-	-	-	
Other assets - net	46,368,154	12,294,253	14,008,125	4,097,240	5,669,452	1,939	18,608	10,278,537	-	-	
	1,330,593,557	385,436,451	310,803,862	51,391,400	93,827,297	130,432,448	115,970,839	139,276,678	65,593,638	37,860,944	
Liabilities											
Bills payable	22,680,667	-	-	-	-	-	-	-	-	-	
Borrowings	133,069,556	93,340,927	13,446,429	12,604,346	6,937,734	6,740,120	-	-	-	-	
Deposits and other accounts	968,482,635	56,535,349	63,407,436	66,039,649	45,522,749	221,901,407	220,838,796	221,017,625	73,219,624	-	
Sub-ordinated loan	3,892,578	-	-	779	779	1,557	1,557	3,887,907	-	-	
Deferred tax liabilities	7,907,552	26,761	29,824	44,060	794,809	397,789	278,688	1,500,471	4,100,891	734,259	
Other liabilities	40,994,232	15,333,567	3,352,813	5,059,958	3,633,658	4,491,765	437,133	982,415	7,702,923	-	
	1,177,027,220	187,917,271	80,236,502	83,748,792	56,889,729	233,632,638	221,556,174	227,388,418	85,023,438	734,259	
Net assets	153,566,337	197,519,180	230,567,360	(32,357,392)	36,937,568	(103,100,190)	(105,585,335)	(88,111,740)	(19,429,800)	37,126,685	
Share capital	11,850,600										
Reserves	70,866,473										
Unappropriated profit	53,776,057										
Surplus on revaluation of assets - net of tax	17,073,207										
	153,566,337										

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

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

2016

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
											(Rupees in '000)
Assets											
Cash and balances with treasury banks	74,222,947	74,222,947	-	-	-	-	-	-	-	-	
Balances with other banks	4,343,841	4,343,841	-	-	-	-	-	-	-	-	
Lendings to financial Institutions	2,809,752	2,809,752	-	-	-	-	-	-	-	-	
Investments - net	555,928,553	41,820,845	253,319,136	11,572,305	43,921,247	108,873,407	14,393,084	39,926,663	30,410,683	11,691,183	
Advances - net	348,116,617	66,710,791	81,864,313	29,609,016	52,269,907	43,167,640	28,236,611	32,028,329	11,158,059	3,071,951	
Operating fixed assets	32,752,672	161,558	323,117	484,675	969,350	1,938,699	1,938,699	3,877,398	9,693,495	13,365,681	
Deferred tax assets	14,513	3,733	3,733	-	7,047	-	-	-	-	-	
Other assets - net	33,639,899	8,649,116	10,581,428	1,628,815	3,795,426	5,483	25,399	8,954,232	-	-	
	1,051,828,194	198,721,983	346,091,727	43,294,811	100,962,977	153,985,229	44,593,793	84,786,622	51,262,237	28,128,815	
Liabilities											
Bills payable	12,843,552	12,843,552	-	-	-	-	-	-	-	-	
Borrowings	74,515,383	42,784,630	10,384,163	15,139,514	3,127,287	3,079,789	-	-	-	-	
Deposits and other accounts	781,429,823	40,094,815	29,115,891	31,997,750	15,009,194	199,150,228	200,103,087	199,638,889	66,319,969	-	
Deferred tax liabilities	11,274,728	100,766	102,487	57,332	432,724	2,615,689	410,510	3,391,056	3,374,135	790,029	
Other liabilities	30,138,083	12,010,424	3,483,693	6,230,268	2,534,795	3,198,139	374,209	709,206	1,597,349	-	
	910,201,569	107,834,187	43,086,234	53,424,864	21,104,000	208,043,845	200,887,806	203,739,151	71,291,453	790,029	
Net assets	141,626,625	90,887,796	303,005,493	(10,130,053)	79,858,977	(54,058,616)	(156,294,013)	(118,952,529)	(20,029,216)	27,338,786	
Share capital	11,130,307										
Reserves	53,346,861										
Unappropriated profit	53,469,072										
Surplus on revaluation of assets - net of tax	23,680,385										
	141,626,625										

Liquidity Gap Reporting

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity. Bank regularly conducts an objective and systematic behavioral study using regression analysis technique to ascertain the maturity of its non-contractual assets and liabilities. Core and non-core parts of the non-contractual assets and liabilities are segregated through the behavioral study. Non Core part is placed among the short term maturity buckets i.e. up to 1 Year based on the model results, whereas core part is distributed among the longer terms buckets based on the discussion and decision by the ALCO. Following percentages are used to distribute the core assets and liabilities among longer term buckets:

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

43.4.3 Basel III Liquidity Requirement

The Basel Committee for Banking Supervision (BCBS) has introduced Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) under its BASEL III reforms. As part of Basel III implementation in Pakistan, SBP issued guidelines on June 23, 2016 to implement Liquidity standards in line with BCBS timelines, keeping in view the conditions as applicable in Pakistan. The Bank is maintaining both the liquidity ratios, under Basel III, with a considerable cushion over and above the regulatory requirement to mitigate any liquidity risk.

Liquidity Coverage Ratio

Liquidity Coverage Ratio (LCR) aims to ensure that bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLA) which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario lasting for a period of 30 days horizon. LCR is defined as ratio of stock of HQLA to the total net Cash Outflows estimated for the next 30 calendar days. As per SBP Guidelines, minimum LCR required to be maintained by the banks on standalone level shall be implemented in a phased manner from March 31, 2017 as set out below:-

	March 31, 2017	December 31, 2017	December 31, 2018
Minimum LCR requirement	80%	90%	100%

By the end of transition period, all banks shall be required to maintain LCR at least on 100% on an ongoing basis. The Bank has been computing its LCR on monthly basis as per the instructions set out in SBP's guidelines issued on June 23, 2016. Average has been reported as simple averages of quarterly values of LCR of the financial year ended 2017. The quarterly values have been computed as simple averages of monthly observations of the previous quarter, as required by aforementioned SBP guidelines.

Governance of Liquidity risk management

Liquidity and related risks are managed through standardized processes established in the Bank. Board and senior management are appraised about liquidity profile of the Bank on periodic basis so as to ensure proactive liquidity management and to avoid abrupt shocks. The management of liquidity risk within the Bank is undertaken within limits and other policy parameters set by ALCO, which meets monthly and reviews compliance with policy parameters. Day to day monitoring is done by the treasury while overall compliance is monitored and coordinated by the ALCO and includes reviewing the actual and planned strategic growth of the business and its impact on the statements of financial position and monitoring the Bank's liquidity profile and associated activities. Bank's treasury function has the primary responsibility for assessing, monitoring and managing bank's liquidity and funding strategy. Market Risk Management Division being part of Risk management group is responsible for the independent identification, monitoring & analysis of risks inherent in treasury exposures. The Bank has in place duly approved Treasury investments policy and strategy along with risk tolerance/appetite levels. These are communicated at various levels so as to ensure effective liquidity management for the Bank.

Funding Strategy

Bank's prime source of liquidity is the customer's deposits base. Within deposits, Bank strives to maintain a healthy core deposit base in form of current and saving deposits and avoid concentration in particular products, tenors and dependence on large fund providers. Further, Bank relies on interbank borrowing for stop gap funding arrangements but, it is less preferred source of liquidity. Within borrowing, source of funding are also diversified to minimize concentration. Usually interbank borrowing is for short term. The Bank follows centralized funding strategy so as to ensure achievement of strategic and business objectives of the Bank.

Liquidity Risk Mitigation techniques

Various tools and techniques are used to measure and monitor the possible liquidity risk. These include monitoring of different liquidity ratios like cash to deposits, financing to deposit ratio, liquid assets to total deposits, interbank borrowing to total deposits and large deposits to total deposits which are monitored and communicated to senior management and to ALCO forum regularly. Further, the Bank also prepares the maturity profile of assets and liabilities to monitor the liquidity gaps over different time buckets. For maturity analysis, behavioral study techniques are also used to determine the behavior of non-contractual assets and liabilities based on historic data and statistical techniques. The Bank also ensures to maintain statutory cash and liquidity requirements all times.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

Liquidity Stress Testing

As per SBP BSD Circular No. 1 of 2012, Liquidity stress testing is being conducted under various stress scenarios. Shocks include the withdrawals of deposits and increase in assets, withdrawals of wholesale/large deposits & interbank borrowing and utilization of undrawn credit lines etc. Results are escalated at the senior level to enable the senior management to take proactive actions to avoid any possible liquidity risk challenges for the Bank.

Contingency Funding Plan

Contingency Funding Plan (CFP) is a part of liquidity management framework of the Bank which identifies the triggers events that could cause a liquidity crises and describes the actions to be taken to manage the crises. At MCB, a comprehensive liquidity contingency funding plan is prepared which highlights liquidity management chain that needs to be followed. Responsibilities and crises management phases are also incorporated in order to tackle the liquidity crises. Moreover, CFP highlights possible funding sources, in case of a liquidity crises.

Main drivers of LCR Results

Main drivers of LCR Results are High Quality Liquid Assets and Net cash outflows. Net cash outflows are mainly expected deposit outflows net of cash inflows which consist of inflows from financing and fully performing exposure up to 1 month. The inputs for calculation of LCR are prescribed by the regulator.

Composition of High Quality Liquid Asset-HQLA

High Quality Liquid Assets composed of Level-1 Asset which can be included in the stock of liquid assets at 100% of their market value. As at December 31, 2017, Bank maintained average HQLA of Rs. 608.140 billion against the average liquidity requirement of Rs. 281.934 billion at prescribed minimum regulatory LCR requirement of 90.0%. Bank's total HQLA constituted on Level 1 & Level 2B assets. Average level 1 assets of the Bank primarily include Cash & Treasury Balances (including balances held with SBP) and unencumbered investment in Government Securities. The Bank's average level 2b assets primarily include non-financial publically traded common equity shares of the Bank.

Concentration of Funding Sources

At December 31, 2017, top liability products/instruments and their percentage contribution to Total Liabilities of the Bank were Current & Saving Deposits 74.11%, Term Deposits 5.70%, and borrowings 10.79%. As at December 31, 2017, Total Deposits and Borrowings mobilized from significant counterparties (i.e.; from whom funds borrowed were more than 1.00% of the Bank's Total Assets) constituted 1.13% & 8.02 % of Total Assets of the Bank. Moreover, the Bank does not rely on top few depositors to meet its funding requirements. This clearly shows that funding sources for the Bank are well diversified.

Currency Mismatch in the LCR

During the year 2017, other than Pak Rupee, bank does not have any significant foreign currency constituting more than 5.00% of the balance sheet size of the Bank. Currency mismatch is not the main driver of bank's LCR, however; bank actively monitors and manages risk associated with currency mismatch by imposing certain limits on foreign currency exposure.

Intra-Period Changes (In LCR) as well as changes in Liquidity Risk over time

Bank's average LCR during the year 2017 remained 194.13%, with the maximum and minimum ratios of 215.46% & 164.56% respectively.

Centralization Of Liquidity Management & Interaction Between The Groups' Units

Overall responsibility for Liquidity risk management of the bank lies with the ALCO, which comprises representatives from all business groups and relevant support groups. The Bank maintains adequate liquidity at all times to meet all obligations as and when they become due. For overseas branches, decentralized approach is followed for day to day liquidity management by taking into consideration both respective host country's and SBP's regulations.

Other Inflows & Outflows

There are no other inflows & outflows in the calculations of LCR other than those that are already covered in the disclosure of LCR.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

Derivative exposures and potential collateral calls

The Bank has no exposure to any counter party that could lead to a potential collateral call arising out of derivative transactions.

	TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)
	a	b
	(Rupees in '000)	
High quality liquid assets		
Total high quality liquid assets (HQLA)	-	608,139,885
Cash outflows		
Retail deposits and deposits from small business customers of which:	661,388,556	66,103,070
stable deposit		
Less stable deposit	715,713	35,786
	660,672,843	66,067,284
Unsecured wholesale funding of which:	256,939,960	218,759,871
Operational deposits (all counterparties)	-	-
Non-operational deposits (all counterparties)	63,633,481	25,453,392
Unsecured debt	193,306,479	193,306,479
Secured wholesale funding	-	464,762
Additional requirements of which:	111,925,237	11,203,915
Outflows related to derivative exposures and other collateral requirements	378,890	378,890
Outflows related to loss of funding on debt products	-	-
Credit and Liquidity facilities	111,546,347	10,825,025
Other contractual funding obligations	27,087,714	27,087,714
Other contingent funding obligations	665,481,203	11,841,119
Total Cash outflows		335,460,451
Cash inflows		
Secured lending	637,941	-
Inflows from fully performing exposures	31,700,739	16,147,705
Other Cash inflows	8,895,705	6,052,442
Total Cash inflows		22,200,147
Total high quality liquid assets (HQLA)		608,139,885
Total Net Cash outflows		313,260,304
Liquidity Coverage Ratio		194.13%

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

43.4.4 Net Stable Funding Ratio (NSFR)

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding on ongoing basis. Banks are required to maintain NSFR requirement of at least 100% on an ongoing basis from December 31, 2017.

	unweighted value by residual maturity				weighted value
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
(Rupees in '000)					
Available stable funding (ASF) Item					
Capital:					157,525,897
Regulatory capital	135,100,820	-	-	-	135,100,820
Other capital instruments	22,425,077	-	-	-	22,425,077
Retail deposits and deposit from small business customers:					596,566,969
Stable deposits	809,930				769,433
Less stable deposits	661,997,262				595,797,536
Wholesale funding:					33,771,463
Operational deposits	106,083				53,042
Other wholesale funding			67,436,842		33,718,421
Other liabilities:					26,414,324
NSFR derivative liabilities				28,289	
All other liabilities and equity not included in other categories	409,773,609		6,437,609	23,195,520	26,414,324
Required stable funding (RSF) Item					814,278,652
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	-
Deposits held at other financial institutions for operational purposes	666,586				333,293
Performing loans and securities:					127,755,143
Performing loans to financial institutions secured by Level 1 HQLA		619,028			61,903
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		5,256,964			788,545
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:				116,311,182	90,502,161
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				41,811,721	
Securities that are not in default and do not qualify as HQLA including exchange-traded equities.			1,307,544	37,768,363	36,402,535
Other assets:					468,093,481
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for derivative contracts	-	-	-	-	-
NSFR derivative assets		39,004	-	-	10,715
NSFR derivative liabilities before deduction of variation margin posted		28,289	-	-	5,658
All other assets not included in the above categories	465,817,884	90,851,006	3,912,688		468,077,108
Off-balance sheet items					36,026,081
Total RSF					632,207,998
Net Stable Funding Ratio (%)					128.80%

* The Liquidity coverage ratio and Net stable funding ratio are applicable from 2017 onward, therefore, comparative information is not applicable.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2017

43.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Bank's operational risk management framework, as laid down in the operational risk policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

Operational Risk Management helps the Bank understand risks and improve mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Bank. Going forward, the Bank will further strengthen its risk function, policies and procedures to facilitate its operations and improve quality of assets to safeguard interest of depositors.

43.5.1 Operational Risk-Disclosures Basel II Specific

Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, the Bank took a number of initiative with respect to operational risk management. The parallel run approval for Alternative Standardized Approach (ASA) was accorded by SBP. 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.

44. GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Comparative information has been reclassified, rearranged in these unconsolidated financial statements for the purposes of better presentation. However, no significant reclassifications have been made in these unconsolidated financial statements.

45. NON-ADJUSTING EVENT

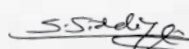
The Board of Directors in its meeting held on February 15, 2018 has announced a final cash dividend in respect of the year ended December 31, 2017 of Rs. 4.00 per share (2016: Rs. 4.00 per share). These unconsolidated financial statements for the year ended December 31, 2017 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 15, 2018.



Imran Maqbool
President and Chief Executive



Salman Zafar Siddiqi
Chief Financial Officer



Samir Iqbal Saigol
Director



Muhammad Ali Zeb
Director



Irfan Ahmed Hashmi
Director

Annexure - I

1. Particulars of Investments in listed companies & mutual funds-available for sale

Investee Entities	Number of shares	Paid-up value per share (Rupees)	Total paid-up (Rupees in '000)	Cost as at
				December 31, 2017
Fully Paid-up Preference Shares				
Azgard Nine Limited	1,160,241	10	11,602	11,602
Aisha Steel Mills Limited	168,286	10	1,683	1,683
Masood Textile Mills Limited	5,000,000	10	50,000	50,000
Fully Paid-up Ordinary Shares				
Abbott Laboratories Limited	650,200	10	6,502	523,394
Agritech Limited	605,138	10	6,051	5,126
Aisha Steel Mills Limited	16,049,500	10	160,495	379,392
Al Shaheer Corporation Limited	3,127,500	10	31,275	178,793
Allied Bank Limited	5,325,400	10	53,254	589,058
Attock Petroleum Limited	26	10	0	13
Attock Refinery Limited	868,600	10	8,686	339,431
Bank Al-Habib Limited	28	10	0	1
The Bank of Punjab	24,843,231	10	248,432	298,119
Bestway Cement Limited	1,373,500	10	13,735	244,390
Crescent Steel And Allied Products Limited	2,943,400	10	29,434	427,946
Dolmen City REIT	15,879,804	10	158,798	174,678
Dawood Hercules Corporation Limited	3,569,300	10	35,693	475,523
Engro Corporation Limited	1,735,200	10	17,352	552,012
Engro Fertilizers Limited	6,510,500	10	65,105	547,193
Engro Foods Limited	84,600	10	846	11,154
Engro Polymer & Chemicals Limited	6,005,000	10	60,050	221,740
Engro Powergen Qadirpur Limited	4,966,000	10	49,660	177,866
Fatima Fertilizer Company Limited	11,877,500	10	118,775	451,189
Fauji Cement Company Limited	7,501,500	10	75,015	269,837
Fauji Fertilizer Company Limited	10,094,000	10	100,940	1,162,396
Fecto Cement Limited	3,039,700	10	30,397	297,915
Ferozsons Laboratories Limited	51,100	10	511	40,523
First Capital Mutual Fund	7,670	10	77	-
Gadoon Textile Mills Limited	360,500	10	3,605	97,696
General Tyre & Rubber Co. Of Pakistan	936,100	10	9,361	257,265
Ghandhara Nissan Ltd	1,501,100	10	15,011	406,089
Glaxosmithkline Pakistan Limited	1,864,000	10	18,640	422,376
Habib Bank Limited	1,247,000	10	12,470	339,582
Habib Metropolitan Bank	15,780,000	10	157,800	514,962
Hub Power Company Limited	100	10	1	11
Hum Network Limited	13,848,500	10	138,485	225,280
IGI Insurance Limited	1,474,700	10	14,747	529,211
Indus Motor Company Limited	65,080	10	651	110,869
International Industries Limited	500,000	10	5,000	171,209
International Steel Limited	2,961,500	10	29,615	417,145
K-Electric Limited	46,719,000	10	467,190	453,799
Kohinoor Textile Mills Limited	1,069,540	10	10,695	117,604
Kot Addu Power Company Limited	15,662,000	10	156,620	1,344,124
Loads Limited	3,058,550	10	30,586	156,665
Lucky Cement Company Limited	625,400	10	6,254	543,159
Maple Leaf Cement Factory limited	3,612,150	10	36,122	372,731
Mehr Dastagir Textile Mills Limited	1,616,912	10	16,169	16,169
Mughal Iron And Steel Industries Limited	598,500	10	5,985	42,492
National Bank of Pakistan	4,541,000	10	45,410	326,122
National Refinery Limited	749,250	10	7,493	547,887
Nestle Pakistan Limited	38,214	10	382	320,390
Next Capital Limited	4,360,500	10	43,605	38,784
Oil & Gas Development Company Limited	5,011,035	10	50,110	932,728
Packages Limited	561,400	10	5,614	365,801
Pak Electron Limited	4,319,625	10	43,196	340,200
Pak Suzuki Motor Company Limited	383,200	10	3,832	220,205
Pakistan National Shipping Corporation Limited	700	10	7	71
Pakistan Oilfields Limited	195	10	2	73
Pakistan Petroleum Limited	3,053,118	10	30,531	634,422
Pakistan Reinsurance Company Limited	4,257,000	10	42,570	177,632
Pakistan Telecommunication Company Limited	16,227,500	10	162,275	362,862
PICIC Growth Fund	43,482,858	10	434,829	1,304,486
PICIC Investment Fund	66,090,021	10	660,900	931,212
Pioneer Cement Limited	1,329,100	10	13,291	186,985
Rafhan Maize Products Company Limited	55,657	10	557	464,470
Saif Power Limited	15,350,000	10	153,500	540,398
Siemens (Pakistan) Engineering Company Limited	11,280	10	113	13,412
Sui Northern Gas Pipelines Limited	18,983,010	10	189,830	822,342
Sui Southern Gas Company Limited	7,856,500	10	78,565	305,283
Treet Corporation Limited	2,277,000	10	22,770	139,416
Trust Securities & Brokerage Limited	300,000	10	3,000	3,000
Unilever Pakistan Foods Limited	867	10	9	1,364
United Bank Limited	1,207,607	10	12,076	275,290
Carrying value before revaluation & provision				23,224,247
Provision for diminution in value of investments				(5,256,884)
Surplus on revaluation of securities				1,170,261
Market value as at December 31, 2017				19,137,624

Annexure - I

Fully Paid-up Ordinary Certificate/ Units of Mutual Funds	Name of Management Company	Number of Units Held	Paid-up value per unit (Rupees)	Total paid-up/ nominal value (Rupees in '000)	Cost as at December 31, 2017
HBL Energy Fund	HBL Asset Management Limited	6,468,401	10	64,684	96,361
HBL Equity Fund	HBL Asset Management Limited	1,022,050	100	102,205	122,265
HBL Government Securities Fund	HBL Asset Management Limited	2,554,085	100	255,409	269,466
HBL Islamic Equity Fund	HBL Asset Management Limited	916,259	100	91,626	93,721
National Investments Trust	National Investment Trust Limited	110,602	50	5,530	5,253
Carrying value before revaluation & provision					587,066
Provision for diminution in value of investments					(1,907)
Surplus on revaluation of securities					(21,875)
Market value as at December 31, 2017					<u>563,284</u>

2. Particulars of Investments in listed companies Held for trading

	Number of shares	Paid-up value per share (Rupees)	Total paid up (Rupees in '000)	Cost as at December 31, 2017
Pak Elektron Limited	500,000	10	5,000	29,396
				<u>29,396</u>

Annexure - I

3 Particulars of Investment held in unlisted companies-available for sale

Company Name	Percentage of holding (%)	Number of shares / certificates held	Cost as at December 31, 2017	Net Asset Value of total investment	Based on financial statements as at	Name of Chief Executive
--------------	---------------------------	--------------------------------------	------------------------------	-------------------------------------	-------------------------------------	-------------------------

(Rupees in '000)

Shareholding more than 10%

Fully paid up Ordinary Shares/ Certificates/ Units

Pak Asian Fund Limited	10.22	1,150,000	11,500	19,530	30-Jun-17	Mr. Ashfaq Ahmed
National Investment Trust Limited	16.67	158,400	1,027,651	2,158,061	30-Jun-17	Mr. Manzoor Ahmed
Central Depository Company of Pakistan Limited	15.00	15,913,500	184,426	550,728	30-Jun-17	Mr. Aftab Ahmed Diwan
			1,223,577			

Shareholding upto 10%

Fully paid up Ordinary Shares/ Certificates/ Units

First Capital Investment Limited		275,000	2,500	3,945	30-Jun-17	Mr. Syed Nadeem Hussain
First Women Bank Limited		23,095,324	63,300	212,247	30-Sep-17	Ms. Tahira Raza
ISE Towers REIT Management Company Limited		6,069,206	30,346	71,358	30-Jun-17	Mian Ayyaz Afzal
National Institute Of Facilitation Techn		2,266,607	1,527	55,793	30-Jun-17	Mr. Haider Wahab
Pak Agro Storage And Service Corpora		2,500	2,500	570,946	31-Mar-17	Mr. Muhammad Khan Khichi
Arabian Sea Country Club*		500,000	5,000	-	30-Jun-15	Mr. Arif Ali Khan Abbasi
SME Bank Limited*		1,490,619	10,106	-	30-Sep-16	Mr. Ihsan ul Haq Khan
Al-Ameen Textile Mills Ltd.*		19,700	197	-	30-Jun-15	Not available
Custodian Management Services*		100,000	1,000	-	Not available	Not available
Galaxy Textile Mills Limited*		3,017,800	30,178	-	Not available	Not available
Pakistan Textile City (Pvt) Limited*		5,000,000	50,000	-	Not available	Not available
Ayaz Textile Mills Ltd.*		225,250	2,252	-	Not available	Not available
Musarrat Textile Mills Ltd.*		3,604,500	36,045	-	Not available	Not available
Sadiqabad Textile Mills Ltd.*		2,636,100	26,361	-	Not available	Not available
Al-Arabia Sugar Mills Limited - preference shares		477,555	4,776	-	Not applicable	Not available
Pak Elektron Limited-Preference shares		2,500,000	25,000	-	Not applicable	Mr. Muhammad Murad Saigol
Society for Worldwide Inter Fund Transfer (SWIFT)		27	4,663	13,466	31-Dec-16	Mr. Gottfried Leibbrandt
LankaClear (Private) Limited		100,000	720	7,540	31-Mar-17	Mr. Channa de Silva
Credit Information Bureau of Srilanka		3,000	21	34,296	31-Dec-16	Mr. K. A. Janka Lakmal
Lanka Financial Services Bureau Limited		100,000	720	1,114	31-Mar-17	Mr. Mihindu Rajaratne
			297,212			

Cost of unlisted shares/ certificates/ units **1,520,789**

Provision against unlisted shares **(161,141)**

Carrying value of unlisted shares/ certificates/ units **1,359,648**

* These are fully provided unlisted shares.

Annexure - I

4 Particulars of investments in Term Finance Certificates - (refer note 9)

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2017	Name of Chief Executive
	(Rupees in '000)					(Rupees in '000)	
Term Finance Certificates - available for sale							
Bank Al-Habib Ltd	53,000	5,000	265,000,000	6 months KIBOR plus 0.75% p.a.	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each	264,841	Mr. Mansoor Ali khan
Habib Bank Limited	3,000	100,000	300,000,000	6 Month KIBOR +0.50% p.a.	0.02% of the Issue Amount semi-annually during the first 108 months after the Issue Date and the remaining Issue Amount of 99.64% in two equal semiannual installments in the 114th and 120th month.	300,553	Mr. Raymond Kotwal
Summit Bank	10,000	5,000	50,000,000	6 months KIBOR + 3.25% p.a.	0.3% of the issue amount in 1st 78 months and the remaining 99.70% of the issue amount in 84th month.	50,062	Mr. Muhammad Zahir Ismail
						615,456	
Term Finance Certificates - held to maturity							
Bank Alfalah Limited - issue no. V	96,442	5,000	482,210,000	6 months KIBOR + 1.25% p.a.	0.3% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month	481,342	Mr. Nauman Ansari
Bank Al Habib Limited- - issue no. V	107,000	5,000	535,000,000	6 Month KIBOR +0.75% p.a.	6th-108th month: 0.36%; 114th and 120th month: 49.82% each	534,679	Mr. Mansoor Ali Khan
Bank Al Habib Limited- - PPTFC	210,000	5,000	1,050,000,000	6 Month KIBOR + 1.50% p.a.	Perpetual	1,050,000	Mr. Mansoor Ali Khan
Askari Bank Limited - issue no. V	120,000	5,000	600,000,000	6 Month KIBOR + 1.20% p.a.	0.36% of principal amount in the first 108 months and remaining principal in 2 equal semi annual installments of 49.82% each.	599,280	Syed Majeedullah Husaini
Habib Bank Limited	15,000	100,000	1,500,000,000	6 Month KIBOR +0.50% p.a.	0.02% of the Issue Amount semi-annually during the first 108 months after the Issue Date and the remaining Issue Amount of 99.64% in two equal semiannual installments in the 114th and 120th month.	1,499,100	Mr. Raymond Kotwal
The Bank of Punjab	2,020	100,000	202,000,000	6 Month KIBOR + 1% p.a.	0.02% of issue amount per semiannual period in the first 09 years and remaining in the two equal semiannual installment of 49.82% each in the 10th year	201,919	Mr. Naeemuddin Khan
U-Microfinance Bank	18,000	5,000	90,000,000	6 Month KIBOR + 3.50% p.a.	The principal will be redeemed in 4 equal semi annual installments falling on the last leg of the security's tenor (7 years).i.e. the 66th, 72nd, 78th and 84th month from the Issue Date.	90,000	Syed Umar Waqar
Finca Microfinance Bank Ltd	2,420	100,000	242,000,000	3 Month KIBOR + 1.50% p.a.	16 equal quarterly installments starting from 15th month	241,667	Mr. M. Mudassar Aqil
Arabia Sugar Mill	30,000	5,000	150,000,000	6 Month KIBOR + 0.2% p.a.	10 years including grace period of 18 Months.	150,000	
Carrying value of TFCs - HTM						4,847,987	

The above excludes unlisted term finance certificates, debentures, bonds and participation term certificates of companies which are fully provided for in these unconsolidated financial statements.

5 Particulars of investment in Sukuk Bonds - (refer note 9)

Description	Terms of Redemption		Rate of interest	Currency	Base Currency Amount ('000)	Carrying value as at December 31, 2017 (Rupees in '000)
	Principal	Interest				
Sukuk Bonds - Available for sale						
Liberty Power Tech Limited	At maturity	Quarterly	3 months KIBOR + 3%	PKR	262,090	262,090
Meezan Bank Limited	At maturity	Half-yearly	6 months KIBOR + 0.5%	PKR	354,000	354,000
Central Bank Bahrain International Sukuks	At maturity	Half-yearly	5.07%	US\$	505	55,795
Central Bank Bahrain International Sukuks	At maturity	Half-yearly	5.09%	US\$	505	55,719
						727,604
Sukuk Bonds - Held to maturity						
Quetta Textile Mills Limited Sukuk Bonds	At maturity	Half-yearly	6Month KIBOR+1.50%	PKR	36,310	36,310
Government of Pakistan Sukuks	At maturity	Half-yearly	6.75%	USD	1,026	113,261
Meezan Bank Limited	At maturity	Half-yearly	6 months KIBOR + 0.5%	PKR	755,000	755,000
						904,571

6 Details of Bonds, Debentures and Federal Government Securities (refer note 9) - held to maturity

Debentures						
Bank of Ceylon	At maturity	Half-yearly	6 Month Gross T Bill Rate + 1.25%	LKR	350,000	251,930
Sampath Bank	At maturity	Half-yearly	13.40%	LKR	64,610	46,506
NDB Bank	At maturity	Half-yearly	13.40%	LKR	62,760	45,175
NDB Bank	At maturity	Half-yearly	9.40%	LKR	180,000	129,564
Siyapatha Finance Limited	At maturity	Half-yearly	8.90%	LKR	100,000	71,980
						545,155
Development Bonds						
Government of Sri Lanka	At maturity	Half-yearly	5.74%	LKR	922,500	664,016
Euro Bonds						
Islamic Republic of Pakistan - 2019 - Eurobond	At maturity	Half-yearly	7.25%	US\$	816	90,061
Islamic Republic of Pakistan - 2025 - Eurobond	At maturity	Half-yearly	8.250%	US\$	2,051	226,435
						316,496
Certificates of Deposits						
Central Bank of UAE	At maturity	At maturity	1.22% - 1.25%	AED	80,000	2,404,784

7 Investment in subsidiaries (refer note 9)

Details of the Bank's subsidiary companies are as follows:

Name	% of holding	Country of incorporation	Year of incorporation
MCB Financial Services Limited	* 99.99	Pakistan	1992
MNET Services (Private) Limited	* 99.95	Pakistan	2001
MCB Islamic Bank Limited	100	Pakistan	2014
MCB - Arif Habib Savings & Investments Limited	51.33	Pakistan	2005
MCB Leasing* Closed Joint Stock Company	99.94	Azerbaijan	2009
Financial Management Services (Pvt) Limited **	95.9	Pakistan	1985

* Remaining shares are held by certain individuals as nominees of the Bank.

** Subsidiary has been fully provided in these financial statements

8 Summarized financial information of associated undertakings (refer note 9)

The gross amount of assets, liabilities, revenue, profit and net assets of associated undertakings are as follows:

Name of associated undertaking	Country of incorporation	Assets	Liabilities	Net assets	Revenue	Profit / (loss) after tax	% of interest held
2017							
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2017)	Pakistan	406,238	170,782	235,456	374,477	(8,137)	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2017)	Pakistan	42,659,292	25,418,957	17,240,335	8,721,010 *	1,634,893	21.47%
2016							
Euronet Pakistan (Private) Limited (audited based on December 31, 2016)	Pakistan	425,001	181,408	243,593	310,866	27,348	30.00%
Adamjee Insurance Company Limited (audited based on December 31, 2016)	Pakistan	38,579,911	21,579,308	17,000,603	9,615,381*	3,492,944	24.48%

* Represents net premium revenue

Annexure - II

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2017

(Rs. in '000)

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year			Principal Written off	Interest/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name	CNIC No.		Principal	Int/Acc/Mup	Others				
1	Mian Tanveer Aziz Sheikh 48 - Abubakar Block, New Garden Town, Lahore	Mian Tanveer Aziz Sheikh	35202-2601938-1	Mian Aziz Ahmed Sheikh	-	1,694	18	1,712	-	1,712	1,712
2	Mirza Muhammad Ashraf House # 1205/C, Mughal Chowk, Tower Road, Nigheban Pura, Faisalabad.	Mirza Muhammad Ashraf	33100-0891737-7	Haji Rehmat Ullah	-	1,581	-	1,581	-	1,581	1,581
3	Syed Khadim Hussain Shah House # 76, Ghausia Colony, F-Block, Satellite Town, Rawalpindi.	Syed Khadim Hussain Shah	37405-0237211-5	Peer Hussain Shah	-	519	17	536	-	536	536
4	Abid Ali Khan House # C/24, Samaro Town, Distt. Tharparkar	Abid Ali Khan	44106-2804620-7	Munawar Ali Khan	-	611	25	636	-	636	636
5	Bilal Hashim Ahmed Flat # 3, 1st Floor, KOKO Apartments, Plot # B-116, Gulshan-e-Faisal, Bath Island, Karachi	Bilal Hashim Ahmed	42301-9889976-5	Hashim Ismail Ahmed	-	1,180	33	1,213	-	1,214	1,214
6	Muhammad Saleem & Kuisoom Bai Shop # 3, Ground Floor, Avanti Terrace, Plot # 148/A, Block 2, Main Allama Iqbal Road, PECHS, Karachi	Muhammad Saleem Kuisoom Bai	42201-4393890-7 42201-1667832-0	Muhammad Bahi Muhammad Saleem	-	2,380	104	2,484	-	2,485	2,485
7	Muhammad Noman Siddiqui Flat # A-203, 2nd Floor, Royal Residency, Sub Plot # SB-18/3, Plot # SB-18, Gulshan-e-Rabia, Block # 13-D/2, Gulshan-e-Iqbal, KDA Scheme # 24, Karachi.	Muhammad Noman Siddiqui	42000-0527649-1	Muhammad Abdul Mamman	-	1,103	40	1,143	-	1,143	1,143
8	Mukhtar Hussain & Shamim Fatima House # B-3, Block-20, Federal B. Area, Karachi	Mukhtar Hussain Shamim Fatima	42101-1083665-7 42101-8845757-4	Abrar Hussain Mukhtar Hussain	-	4,885	33	4,918	-	4,919	4,919
9	Syed Haroon Aziz House # 102/2, Khayaban-e-Rahat, Lane-12, Phase VII, DHA, Karachi	Syed Haroon Aziz	42301-4299639-1	Aziz Ahmed	-	12,427	55	12,482	-	12,482	12,482
10	Abdul Sattar House # R-156, Block -18, Gulberg, Federal B. Area, Karachi.	Abdul Sattar	42101-1559727-9	Muhammad	-	721	87	808	-	808	808
11	Muhammad Sikandar Mughal House # 11/4, Street # 3, Jamshed Quarters, Muslimabad Cooperative Housing Society, Karachi.	Muhammad Sikandar Mughal	42201-6009009-3	Sirajuddin Mughal	-	4,703	30	4,733	-	4,733	4,733
12	Syed Ejaz Ali House # A-182, Sector 11-B, North Karachi Township Karachi	Syed Ejaz Ali	42101-1439095-5	Syed Aziz Ali	-	2,190	229	2,419	-	2,419	2,419
13	Major Commission Shop Village Peer Kot, Tehsil & District, Hafizabad	Naeem Ahmed	34301-1678248-5	Rehmat Khan	-	460	56	516	-	517	517
14	Antihsem Copper Wire Industry Dhoka Pan Shop, Baghbanpur, Gulran-wala.	Antisham Amin Ishtiaq Amin	34101-9772627-3 34101-1566989-1	Chaudhry Muhammad Amin Chaudhry Muhammad Amin	-	935	51	986	-	986	986

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2017

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year			Principal Written off	Interest/ Markup Written off	Other Fin. Reliefs Provided	Total	
		Name			Prinicipal	Intt/Acc/Mup	Others					Total
		Name	CNIC No.									
15	Liaquat Ali House # B-12/538/RH, Camping Ground, Near Degree College Lala Musa, District Gujrat.	Liaquat Ali	34202-0812376-9	Muhammad Sharif	-	474	52	526	-	525	525	
16	Babar Shabbir Nawa Sher, Rahwali Sharqi, Gujranwala Cantt.	Babar Shabbir	34101-8168255-9	Muhammad Bashir	-	879	50	929	-	929	929	
17	Mirza Ashtaq Baig House # 41, Block G, EME Co-Operative Housing Society Ltd., DHA, Lahore	Mirza Ashtaq Baig	35201-1216674-9	Muhammad Mushtaq	-	1,495	17	1,512	-	1,512	1,512	
18	Abdul Rashid Flat # B-44, 4th Floor, Zeeshan Blessing Plot # FL-16, Sub-Plot # FL-16/B, Block # 16, KDA Scheme # 24, Gulshan-e- Iqbal, Karachi.	Abdul Rashid	42201-9870866-1	Noor Muhammad	-	827	57	884	-	884	884	
19	Muhammad Aslam Naseem House # C-23, Sector W-IV, Gul- shan-e-Maymar, Karachi.	Muhammad Aslam Naseem	42501-8943711-3	Muhammad Nasim	-	1,170	35	1,205	-	1,205	1,205	
20	Green Home Nursery Farm 11-J, Main Road, Gulshan e Ravi, Lahore	Mian Muhammad Amir Ashraf	35202-9384792-3	Mian Muhammad Ashraf	-	1,252	18	1,270	-	1,269	1,269	
21	Riaz Brothers Oil Mills Asif Park, G.T Road, Tehsil Feroz Wala, District Sheikhopura.	Malik Muhammad Iqbal	35401-1832525-5	Muhammad Ashraf	-	1,729	115	1,844	-	1,844	1,844	
22	Sohail Brothers Shop # H-222-A/2, Lal Haveli Mochi Gate, Lahore.	Liaquat Ali	35202-4954468-3	Mohammad Shafi	-	1,335	54	1,389	-	1,389	1,389	
23	Peripheral Marketing Enterprises 35-3rd Floor, Hafeez Centre Gulberg III Main Boulevard Lahore.	Khalid Ahmed	35201-8758316-5	Bashir Ahmed	-	912	161	1,073	-	1,072	1,072	
24	Elnvar Industries (Pvt) Ltd. 11-N Industrial Area, Gulberg-II, Lahore.	Fakhra Shafique Khawaja Muhammad Shafique Nauman Khalid Chaudhry Sarwat Saleem Chaudhry	35202-2106608-0 35202-5415167-5 34101-2587196-1 34101-2459153-8	Khawaja Muhammad Shafique Khawaja Muhammad Sadiq Chaudhry Khalid Saleem Chaudhry Khalid Saleem	-	630	18	648	-	648	648	
25	Muhammad Saeed House # 22/1, Allama Iqbal Road, Near Al-Riaz Hotel, Lahore	Muhammad Saeed	35202-2120651-5	Muhammad Ismail	-	791	17	808	-	808	808	
26	Malik Muhammad Waqar & Razia Begum Lodhi House # 2, Street # 35, Muslim Colony, Mohallah Khalid Bin Waleed Road, Samnabad, Lahore.	Malik Muhammad Waqar Razia Begum Lodhi	35202-7804586-1 35202-1287978-6	Malik Khalid Iqbal Qaiser Malik Khalid Iqbal Qaiser	-	673	32	705	-	705	705	
27	SFS Corporation 79-Ferozpure Road, Ichhra, Lahore	Ghulam Sarwar	35202-0646096-9	Khurshid Ahmed	-	8,180	69	8,249	-	8,249	8,249	
28	Al Madina Bricks Corporation Chirag Shah, Sehari Road, Railway Link Kasur	Liaquat Ali	35202-2675805-3	Muhammad Yaqoob	-	1,268	17	1,285	-	1,285	1,285	
29	Abdullah Traders Lodhran Road, Zareef Shaheed Tehsil Shujabad.	Muhammad Abdullah	36304-7709730-3	Sadiq Muhammad	-	1,326	75	1,401	-	1,401	1,401	
30	Khalid Trading Corporation Ghalla Mandi, Sadiqabad.	Ali Bahadur Bhatti	31304-2117606-1	Ghulam Muhammad Bhatti	-	784	58	842	-	842	842	
31	Hyundai Multan Motors Jinnah Park, Shah Rukn Alam Colony, Multan.	Anwar Shahzad	36302-1013070-5	Sheikh Abdul Hai	-	1,878	-	1,878	-	1,878	1,878	

Annexure - II

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2017

(Rs. in '000)

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Interest/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name	CNIC No.		Principal	Int/Acc/Mup	Others	Total			
32	Mohsin Raza Khan House # 82/1, Street # 02, Phase-VI, DHA, Karachi.	Mohsin Raza Khan	42301-1093002-5	Hassan Raza Khan	-	5,798	33	5,831	-	5,831	5,831
33	Abdul Karim Bawany House # E-34/II, 4th Gizi Street, Phase IV, DHA, Karachi.	Abdul Karim Bawany	42301-6673803-9	Yahya Bawany	14,850	16,684	351	31,885	14,850	17,034	31,884
34	ACMA Traders International P-98/3, Faizan-e-Madina Chowk, Main Susan Road, Madina Town, Faisalabad.	Muhammad Sajid Khaliq Javed Muhammad Ijaz	33100-1412336-5 33100-0772608-1 33100-3748829-9	Nawab Din Abdul Aziz Khan Murad Ali Gull	-	3,893	81	3,974	-	3,974	3,974
35	All Yarn Traders 9-10 Mashallah Plaza Mintgomery Bazar Faisalabad.	All Raaza	33100-0674897-5	Muhammad Iqbal	-	1,167	101	1,268	-	1,268	1,268
36	Elahi Coal Company 79-C, Bataala Colony, Faisalabad.	Azmat Elahi Naeem Asif	33100-3504760-9 33100-1513368-3	Ehsan Elahi Nazir Ahmed	-	1,590	57	1,647	-	1,647	1,647
37	Bilal Packages LGM Street, Near Usman Market, Maq- bool Road, Faisalabad.	Mian Bilal Rasool Zahida Bilal	33100-0730082-9 33100-0687738-6	Mian Niaz Ahmed Mian Bilal Rasool	-	2,234	92	2,326	-	2,326	2,326
38	Butt Cotton Waste Factory House # 29, Street# 4, Sindhu Town, Miliat Colony, Faisalabad	Muhammad Hanif Butt	33100-0958017-1	Abdul Rehman	-	5,016	80	5,096	-	5,096	5,096
39	Hamad International House # P-237, All Street, Khayaban Colony # 2, Faisalabad.	Abdul Asifraaq	33100-4579104-3	Haji Abdul Latif	-	3,041	67	3,108	-	3,107	3,107
40	Kashif & Company Adda Mureedwala, Tehsil Samundri, District Hafizabad.	Kashif Latif	33105-0369728-5	Muhammad Latif Najaf	-	629	28	657	-	657	657
41	Khalil Akber House # 01, Khayaban colony # 02, Madina town, Faisalabad.	Khalil Akber	33100-9367405-3	Akber Ali	-	1,166	67	1,233	-	1,233	1,233
42	Mian Muhammad Amin House # 298, Gulistan colony # 02, Block-A, Faisalabad.	Mian Muhammad Amin	33100-5803561-1	Haji Ghulam Nabi	-	597	70	667	-	667	667
43	Muhammad Ramzan Janbaz Street # 06, Kehkshan Colony # 02, Near Watto ki Kothi, Jaranwala Road, Faisalabad.	Muhammad Ramzan Janbaz	33100-0609457-1	Haji Mehar Din	-	1,092	102	1,194	-	1,194	1,194
44	Ifkhar Building Material Store Street # 10 Redex Road Rasheed Nagar Faisalabad.	Ifkhar Ahmed	33301-8976697-1	Abdul Khaliq	-	474	52	526	-	526	526
45	S.Q. Textile Mills TATA Factory Area, Faisalabad.	Farrukh Rasool Ghulam Qadir Mubina Farrukh Samiya	42301-1127446-5 33100-0643004-9 42301-1008736-4 33100-0618129-0	Haji Shabrati Khan Haji Shabrati Khan Farrukh Rasool Ghulam Qadir	-	8,604	194	8,798	-	8,798	8,798
46	Shani Brothers Modle Town MuridWala Tehsil Samundri, District Faisalabad.	Sultan Ali	33105-0332948-3	Muhammad Latif Najaf	-	1,355	37	1,392	-	1,392	1,392
47	Tajammal Flour Mills Chak # 223/RB, Sindhu Town, Samundri Road, Faisalabad.	Syed Mubashar Hussain Tauqeer Arshad	33100-3958434-9 33100-6400302-9	Syed Tajammal Hussain Tajammal Hussain Shah	-	2,306	87	2,393	-	2,393	2,393

(Rs. in '000)

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2017

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year			Principal Written off	Interest/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name	CNIC No.		Principal	Intt./Acc/Map	Others				
48	Janjua Filling Station Main Mianwali Sargodha Road, Sahdia Janubi, Mianwali.	Muhammad Asif Janjua Muhammad Waris Janjua Muhammad Muzaffar	38302-1231696-1 38302-1231699-1 38302-1790353-1	Ghulam Muhammad Ghulam Muhammad Hejj Ghulam Muhammad	-	1,565	47	1,612	-	1,612	1,612
49	Ehsan Ullah Al Fateh Tractors, Session Road Sargodha.	Ehsan Ullah	38403-2189796-7	Ch. Muhammad Hussain	-	938	-	938	-	938	938
50	Chinot Filling Station Moza Chinot # 02 Sargodha Road Near Tehsil Chowk, Tehsil & District Chinot	Sardar Babar Saeed Bakhtshi	35202-4854847-5	Sardar Muhammad Saeed Bakhtshi	-	685	-	685	-	685	685
51	Mansoor & Co Dera Road, Tehsil Darya Khan, District Bhakkar	Mansoor Ahmed Khan	38102-0875248-1	Abdul Ghaffar Khan	-	550	40	590	-	590	590
52	Falcon Homes 05-College Road, Sargodha	Muhammad Sarwar Siddique	38403-2066861-9	Muhammad Siddique	-	711	-	711	-	711	711
53	Raheem Engineering Near Darya Khan Road, Union Council Gadola, Bhakkar.	Khalid Mehmood	38101-7819725-9	Mian Ramzan	-	1,567	43	1,610	-	1,610	1,610
54	Rehman Filling Station Layyah Road, Chikowk Athara Hezari, Tehsil & District Jhang	Muhammad Asif Rehman Muhammad Akbar Rehman	33202-1347443-1 33202-9499202-5	Abdul Rehman Abdul Rehman Zafer	-	1,598	139	1,737	-	1,737	1,737
55	Shadi Khel Transport & PSO Dealers Sargodha Road, Mianwali	Zafar Ullah Khan Ahmed Rafi Ullah Khan	38301-3643116-7 38302-5773547-3	Ghulam Qadir Khan Zafar Ullah Khan	-	831	199	1,030	-	1,030	1,030
56	Al Karam Kinno Traders 10-NB, Alhala Road Bhalwal, District Sargodha	Rashid Saleem CH. Shehbaz Ahmed Cheema	38401-5351872-5 38401-8337318-5	Saleem Khalid CH. Ijaz Ahmed Cheema	-	2,382	69	2,451	-	2,451	2,451
57	Siddique Corporation Muslim Bazar Sargodha	Hassan Saleem	38403-2176198-9	Muhammad Saleem	-	761	32	793	-	793	793
58	Zafar Electronics 8-Ballo Khel Road, Mianwali	Zafar Ullah Khan	38302-1901781-5	Hameed Ullah Khan	-	527	88	615	-	615	615
59	Rawal Petroleum Main G.T. Road Rawat, Islamabad.	Raja Ahmed Aziz Bhatti	37405-3613868-1	Raja Abdul Aziz Bhatti	442	3,225	96	3,763	-	3,211	3,211
60	Rashid Mehmood House # CB - 861, Lane # 05, Chur Harpal, Rawalpindi.	Rashid Mehmood	37405-0625426-3	Khizer Hussain	80	1,040	36	1,156	-	1,076	1,076
61	Zahid Commission Shop Ghakkhar Mandi, Gujranwala.	Muhammad Ikram	34104-2222047-5	Chaudhary Amir Hassan	-	689	105	794	-	795	795
62	Hi Force Sports 12/229, Pasur Road, Sialkot	Zafar Iqbal Shamas Udi Din Muhammad Yousaf	34603-2308388-3 300-73-3351821 34603-2702101-7	Muhammad Yousaf Muhammad Yousaf Taj	-	1,163	52	1,215	-	1,215	1,215
63	Sharif Commission Shop Fatehpur, P/O Rasoolpur Farar, Tehsil Pind Bhattian, Hatizabad	Ashiq Hussain	34302-5259463-7	Muhammad Sharif	7,160	3,816	117	11,093	-	3,978	3,978
64	Concept Way House # 112A/1, Township, Lahore.	Asad Muzaffar	35202-8616331-9	Muzaffar Hussain	-	1,639	17	1,656	-	1,655	1,655
65	Sajjad Hussain Asif House # 18, Block-C, Sheikh Colony, Jhang Road, Faisalabad.	Sajjad Hussain Asif Muhammad Riaz Shahid	33102-1797846-3 33102-1797838-7	Sheikh Muhammad Iqbal Sheikh Muhammad Iqbal	5,799	3,953	68	9,820	-	4,095	4,095
66	Global Communication Showroom NO. 3, D-64/B, Shershah Road, S.I.T.E., Karachi	Abdul Rasheed	42401-1755330-5	Meer Hussain	-	885	34	919	-	919	919
67	Muslim Flour Mill Quetta Industrial and Trading Estate, Eastern By Pass Quetta.	Syed Abdul Salam	54400-4999208-1	Syed Abdul Wahid	-	528	22	550	-	550	550

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		Name	CNIC No.		Principal	Intt/Acc/Mup	Others				
68	Neelam Cotton Ginners Permit, Jalal Pur Pirwala Road, Mouza Sall Saddler Lodhron.	Khuda Buksh Khan Aliah Buksh Muhammad Aziz Ullah	31202-5640490-3 31202-533220-1 36301-7412551-1	Karim Buksh Khan Karim Buksh Khan Haji Ghulam Muhammad	-	8,257	205	-	-	8,462	8,462
69	Neelam Flour Mills Permit, Jalal Pur Pirwala Road, Mouza Sall Saddler Lodhron.	Khuda Buksh Khan Ch Muhammad Ghulfran Milan Zubair Ahmed Kashif Nawaz Ch. Jamshed Akhter	31202-5640490-3 36203-1816935-9 36301-0961099-7 36202-2637561-9 35101-2519064-9	Karim Buksh Khan Ch Ghulam Muhammad Milan Muhammad Akhter Muhammad Nawaz Ch. Muhammad Atzal	-	3,539	100	-	-	3,639	3,639
70	Abbas Traders Chak # 9/WB Joian Wala Tehsil & District Vehari.	Nadir Ali Muhammad Yousof Abbas Bhatti Muhammad Mazhar Abbas	36601-2285587-9 36603-4036738-7 36603-7665453-3	Muhammad Abbas Muhammad Abbas Muhammad Abbas	-	797	62	-	-	859	859
71	Mid Way Filling Station By Pass Road Chichrawati.	Muhammaad Irshad Khan	36501-8718708-9	Bashir Ahmad Khan	-	813	100	-	-	913	913
72	Zahid Hussain & Co. Shop # 172, New Ghalla Mandi, Multan.	Muhammad Zahid	36302-2337087-3	Haji Bashir Ahmad	-	1,497	18	-	-	1,515	1,515
73	Gulistan Enterprises Bahadur Pur Cantt, KLP Road Rahim Yar Khan.	Masood Ull Hassan Abdul Jaleel Sultan Shamshad Ahmed Nisar Muhammad	31303-7359256-3 31303-6744348-5 31303-3241972-9 31303-2454283-9	Dildar Muhammad Sultan Ahmad Muhammad Siddique Chaudhary Rehmat ali	-	1,777	17	-	-	1,794	1,794
74	Rana Traders Sittrah Mundeke Road, Mouza Balgewali, Tehsil Daska.	Rana Muhammad Ajmal	34601-2884659-3	Farman Ali Khan	1,964	1,224	57	-	-	1,271	1,271
75	Shafiqat Ullah Chohan House # 85, Block-J-1, M.A.Johar Town, Lahore	Shafiqat Ullah Chohan	35202-5150033-5	Ch. Hameed Ullah	-	599	-	-	-	599	599
76	Shahab Ullah & Shafiqat Ullah Chohan House # 85, Block-J-1, M.A.Johar Town, Lahore	Shahab Ullah Shafiqat Ullah Chohan	35202-0115773-1 35202-5150033-5	Ch. Hameed Ullah Ch. Hameed Ullah	-	2,443	20	-	-	2,463	2,463
77	Gohar Traders Street No. 5, Iqbal Nagar, Burewala	Asif Ali	36601-2793120-1	Muhammad Ramzan	-	675	15	-	-	690	690
78	Mian Pesticides (Pvt) Ltd 605-A, Shah Rukn-e-Alam Colony, Multan.	Ifrikhtiar Ahmad Zafar Iqbal	36302-2408065-5 36302-6892050-9	Abdul Ghani Abdul Ghani	16,502	21,681	17	16,502	-	21,597	38,099
79	Chaudhry Agro Services Permit Road, Jalal Pur Pirwala.	Intizar Hussain	36302-6872955-9	Abdul Ghani	-	2,488	67	-	-	2,555	2,555
80	Raja Petroleum Services Chak # 217/EB Lahore Multan Road Gaggio Mandi, Burewala.	Muhammad Ilyas Raja Zafar Iqbal	36601-6031394-3 36601-1632007-1	Pahalwan Khan Raja Muhammad Ilyas	-	500	33	-	-	533	533
81	Zafar Sanitary Store Railway Road, Lahore	Zafar Iqbal	35201-4634538-3	Abdul Karim	-	636	20	-	-	656	656
82	Red Sun International 93-Circular Road, Lahore.	Azhar Rasheed	35202-2882229-3	Rasheed Ahmed	52	1,222	85	-	-	1,223	1,223
83	Shahid Shakeel Khan House # 469, Street No. 18, Sector 01, Airport Housing Authority, Rawalpindi	Shahid Shakeel Khan	61101-9726799-7	Nisar Hussain	460	910	55	-	-	703	703
84	Mukhtar & Co Ikram Colony, Kot Fareed Road, Sangodha	Muhammad Farooq	38403-9234270-7	Muhammad Manzoor	320	1,734	51	-	-	1,687	1,687

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85	Khurram Traders House # 558/14, Mohallah Garaha, Chiniot.	Khalid Mehmood	33201-3512086-1	Niaz Ahmed	-	1,428	-	-	-	1,428	1,428
86	Nadeem Shams Shami Leather, Industrial Area, Mohallah Fazal Shah, Chak Jhumra Faisalabad.	Nadeem Shams	33101-3403900-1	Shamas Ul Zaman Shami	1,232	621	46	-	-	622	622
87	Munir Ahmed House # P-751 Street # 12, Afghanabad # 1 Faisalabad.	Munir Ahmed	33100-8840101-5	Wali Muhammad	1,470	670	62	-	-	717	717
88	Abid Industry Old Vania Road, Near Graveyard Jagna, Sialkot Road Gujranwala.	Muhammad Ali	34101-2707025-1	Muhammad Din	98	643	46	-	-	587	587
89	Ali Asghar & Co Kalake Mandi P.O Khas Tehsil & Dist Hafizabad.	Ali Asghar	34301-1759212-7	Muhammad Ismail	939	510	-	-	-	524	524
90	Chenab builders Jimah Road, Gujrat	Mumtaz Ahmad Ch	34201-0562375-3	Sardar Khan	-	978	67	-	-	1,044	1,044
91	Al Sheikh Rice Corporation Vili. and PO Rasoolpur Tarar, District Hafizabad.	Sheikh Tanvir Abbas	34302-1213514-1	Altaf Hussain Sheikh	-	1,829	-	-	-	1,829	1,829
92	White Petal Rice Mills Vili. and PO Rasoolpur Tarar, District Hafizabad.	Sheikh Muhammad Iqbal Sheikh Saif Ullah Sheikh Riaz Ahmed Manzoor Ahmed Sharafat Causar Sheikh Waseem Abbas	34302-1262129-7 34302-3317723-3 34302-1264735-9 34302-1262130-3 34302-1209164-0 34302-1213524-3	Sheikh Allah Ditan Sheikh Allah Ditta Sheikh Allah Ditta Sheikh Allah Ditta Sheikh Muhammad Iqbal Altaf Hussain Sheikh	-	2,008	-	-	-	2,008	2,008
93	Tabbasum Saeed House # 2, R-II, Phase 2, Johar Town, Lahore	Tabbasum Saeed	35202-1787024-3	Ch. Khalid Saeed	-	5,270	130	-	-	5,400	5,400
94	Farooq Ali Hashmi House # 87, Block D, Near Nizam Islam Masjid, Al-Faisal Town, Harbanspura, Lahore	Farooq Ali Hashmi	35201-2632344-1	Muhammad Siddiq Hashmi	-	1,341	49	-	-	1,390	1,390
95	Muhammad Tariq Nawaz P-128, Faisal Garden, Canal Road Faisalabad.	Muhammad Tariq Nawaz	33100-5256561-7	Muhammad Nawaz	-	1,471	92	-	-	1,563	1,563
96	M. Afzal Ghouri & M. Irshad Ghouri House # 5/15, Gali Medina Masjid, Mandi Bahaudin	Muhammad Atzaal Ghouri Muhammad Irshad Ghouri	34402-1374921-1 34402-4101672-9	Muhammad Khurshid Ghouri Muhammad Khurshid Ghouri	-	1,036	-	-	-	1,036	1,036
97	Kohinoor Looms Limited 89-P, Gulberg II, Lahore.	Ashfaq Ahmad Nadeem Ashfaq Qadeer Ashfaq	42301-6735985-3 42301-6502733-9 42301-6850080-3	Mian Muhammad Umer Mian Ashfaq Ahmad Ashfaq Ahmad	-	34,422	12,337	-	-	46,759	46,759
98	Jameel Jamshed & Brothers Chah Shahbaz Wala, P/O Kasba Miral, Zain Pur Tehsil Multan Sadder District Multan	Muhammad Jamshid Waqas Muhammad Jamil Muhammad Akhtar	36302-7053729-1 36302-5188528-3 36302-6451359-7	Haji Muhammad Buksh Bashir Ahmad Malik Rab Nawaz	18,295	30,462	18	-	-	30,479	48,774
99	Five Star Corporation Muhah Shahbaz Wala, P/O Kasba Miral, Zain Pur Tehsil Multan Sadder District Multan	Muhammad Jamil Muhammad Khaleel Muhammad Jamshid Waqas Muhammad Sohail Waqas Nusrat Begam	36302-5188528-3 36302-2635558-3 36302-7053729-1 36302-8899522-7 36302-9357483-2	Bashir Ahmad Bashir Ahmad Haji Muhammad Buksh Haji Muhammad Buksh Muhammad Buksh Aasi Malik	-	13,724	67	-	-	13,791	13,791
100	Ijai Sports (Pvt) Ltd. Room # 47, 2nd floor, Gulberg Center, 84/D-1, Gulberg III, Lahore.	Sabah Ahmed Rizwan Ahmed Sheikh	35201-1238147-1 35201-1237541-5	Ghulam Ahmed Sheikh Ghulam Ahmed	-	13,286	1,209	-	-	14,495	14,495

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		Name	CNIC No.		Principal	Int/Acc/Mup	Others				
101	Bisman Sana Garments Green Town, Millat Road, Near Malik Bhutta Property Dealers, Luma Wali Gali, Faisalabad	Rizwana Shaikoor	34302-1189408-6	Muhammad Shaikoor	-	610	35	645	-	645	645
102	Riaz Ahmad House # 1, Street # 111, Mistri Street, Ichra, Lahore.	Riaz Ahmad	35202-2450737-5	Bashir Ahmad	-	775	19	794	-	794	794
103	Mehmood Hassan Rizvi & Nayyab Bano House # C-53, Block-J, North Nazimabad, Karachi	Mehmood Hassan Rizvi Nayyab Bano	42101-5272272-9 42101-1968290-6	Syed Hassan Rizvi Syed Mehmood Hassan	9,327	3,382	33	12,742	-	3,441	3,441
104	Mohsin Ashraf Tabani House # 48/II, 10th Street, Phase -V, DHA, Karachi,	Mohsin Ashraf Tabani	42301-6137858-3	Ashraf Wali Muhammad Tabani	12,065	4,103	35	16,203	-	4,269	4,269
105	Silver Tone (Pvt) Ltd Katar Bund Road, Thokar Niaz Baig, Multan Road, Lahore.	Hameed Akbar Raja Haseena Begum Sohail Siddiqui	35202-6436215-7 13213-2156456-4 270-28-345698	Ghulam Muhammad Ghulam Muhammad Muhammad Siddiqui	-	904	40	944	-	944	944
106	Saeed Bukhari & Company PSO Filling Station, Sargodha Road, Faisalabad.	Rubina Shaheen	33100-4128436-6	Muhammad Asghar	332	1,173	67	1,572	-	1,174	1,174
107	Muhammad Farooq Packages House # 743, Azlan Road Khayaban Colony # 02, Faisalabad.	Ahmed Irfan Imran Ahmed	33100-0757493-7 33100-0757494-3	Muhammad Ashraf Muhammad Ashraf	768	1,058	43	1,869	-	1,110	1,110
108	SS Poultry Farms Chak # 219/RB, Sher Singh Wala Khurd, Faisalabad.	Shahzad Saleem	33100-6696262-1	Muhammad Saleem	1,407	1,225	78	2,710	-	928	928
109	Muhammad Ramzan Chak No. 188/RB, Nalaywala Tehsil Chak Jhumra, Faisalabad.	Muhammad Ramzan	33104-2489082-5	Abdul Rasheed	1,000	2,744	67	3,811	-	2,729	2,729
110	Mohsin Nazir Bajwa Chak # 88 Shumali, P/O Same, Tehsil & District Sargodha.	Mohsin Nazir Bajwa	38403-0380082-3	Muhammad Nazir Bajwa	1,998	624	54	2,676	-	653	653
111	Sheikh Oriental Rugs 24- Abbott Road Lahore	Sajeeb Tariq	35201-1363310-5	Tariq Gaba	-	1,166	113	1,279	-	1,279	1,279
112	Khan Arif Shabih House # B-20, Block # 13, Scheme No.36, Gulistan-e-Jauhar, Karachi.	Khan Arif Shabih	42201-3138668-1	Shabih ul Hassan Khan	2,916	4,414	57	7,387	-	3,803	3,803
113	Atlas Rubber & Plastic Ind. (Pvt) Ltd. 9th Floor, Textile Plaza, Mumtaz Hassan Road, Karachi.	Sheikh Ashad Javed Sheikh Danish Javed Sheikh Adeel Javed Sheikh Al-Aman Javed	42201-0255323-3 42201-0255323-7 42201-3385330-5 42201-0430580-9	Sheikh Nazir Hussain Sheikh Ashad Javed Sheikh Ashad Javed Sheikh Ashad Javed	70,737	126,224	2,886	199,797	70,737	130,206	200,943
114	Atlas Cables (Pvt) Ltd. 9th Floor, Textile Plaza, Mumtaz Hassan Road, Karachi.	Sheikh Ashad Javed Sheikh Danish Javed Sheikh Adeel Javed Sheikh Al-Aman Javed	42201-0255323-3 42201-0255323-7 42201-3385330-5 42201-0430580-9	Sheikh Nazir Hussain Sheikh Ashad Javed Sheikh Ashad Javed Sheikh Ashad Javed	228,994	143,110	1,817	373,921	28,994	148,637	177,631
115	Syed Saeed Akhtar Shah House No. 33, Street No.06, Block W, Madina Town, Faisalabad.	Syed Saeed Akhtar Shah	33100-6502788-9	Mushtaq Ahmed	4,236	2,028	67	6,331	-	2,110	2,110

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116	Chaudhry Atta Muhammad & Sons Grain Market, Samundhi, District Faisalabad.	Ghulam Murtaza Awian	33105-7074721-9	Ghulam Mustafa Awian	2,156	1,587	93	3,836	-	1,183	1,183
117	Waheed Murad Mani Bazar, Jalaipur Bhattain, Hafizabad	Waheed Murad	34302-1855983-7	Sadar Din	-	1,138	48	1,186	-	1,186	1,186
118	Shahid Rafi 8-F Block, Gulshan-E-Ravi Lahore.	Shahid Rafi	35202-5861178-3	Rafiuddin	-	1,389	77	1,466	-	1,467	1,467
119	M Tanveer Qureshi House No. 214-A, Rustam Park, Multan Road, Lahore	M Tanveer Qureshi	35202-8213505-1	M Atzal Qureshi	393	361	17	771	-	596	596
120	The Pharma West Super A No.221, Negombo Road,Wattala.	E.Senthikumar	N/A	N/A	2,163	16,531	-	18,694	958	17,460	18,418
121	Master Textile Processing Mills 9-KM Samana Puli, Near Zafar Fabrics, Sargodha Road, Faisalabad.	Ahsan Ali Qamar Ashiq Ali Qamar Khalid Mehmood Mohsin Ali Qamar Qaiser Ali Sajid Mehmood Shaukat Ali Yasir Ali Faisal Ali Muhammad Mughees Farooq Ali	33100-5727161-5 33100-0605536-7 33100-9108836-7 33100-0605537-3 33100-2618591-3 33100-1956028-1 33100-2703996-3 33100-2608996-3 33102-8272240-7 33100-5360813-7 33100-9657388-3	Ashiq Ali Qamar Muhammad Buksh Mukhtar Ahmed Ashiq Ali Qamar Shaukat Ali Mukhtar Ahmed Muhammad Buksh Shaukat Ali Shaukat Ali Muhammad Munawar Khokhar Muhammad Munawar	3,755	2,880	-	6,635	-	2,823	2,823
122	Zeeshan Knitwear Hajjabad Shekhupura Road Faisalabad.	Sabahat Anjum	33100-9179739-8	Mian Anjum Yousef	-	823	78	901	-	901	901
123	Muhammad Yousef & Company Hajjabad Shekhupura Road, Faisalabad.	Anjum Yousef	33100-0670939-9	Muhammad Yousef	10,995	2,995	87	14,077	-	3,264	3,264
124	Tex Arts 10-KM Jaranwala Road, Link Road Chak No. 215 R.B., Faisalabad.	Sheikh Masood Ahmed	33100-5951373-3	Sheikh Muhammad Siddique	5,000	7,085	69	12,154	-	7,291	7,291
125	Atta Muhammad Trading Corporation Room No. 5, Ali Plaza, Peoples Colony, D- Ground, Faisalabad	Faiz Ahmed Ishrat Aftab	33100-0412929-7 33100-2796187-2	Muhammad Khan Aftab Khalique	1,431	1,309	68	2,808	-	1,399	1,399
126	Amjad Ali Plot #18086, Street # 2, Yousafabad, Bhatta Stop, Shekhupura Road, Faisalabad.	Amjad Ali	35402-8216198-1	Muhammad Turfai	1,970	745	77	2,792	-	822	822
127	Fahad Constructions 54-F Gulberg II, Lahore.	Ch. Farhat Miraj	35202-3177931-1	Ch. Miraj Din	5,893	2,882	67	8,842	-	3,002	3,002
128	Muhammad Asif & Co House # 96-Meclod Road, Lahore.	Muhammad Asif	42301-8407062-7	Muhammad Aslam	1,995	3,295	16	5,306	-	3,331	3,331
129	Aqma Textile Mills Ltd. 32-KM, Multan Road, Sunder Adda, Lahore.	Nadeem Ali Mubashir Ali Rahat Kauser Azmat Ali Dilwar Hussain Muhammad Bilal Rifat Kauser	35202-4964506-5 35202-0152301-9 35200-1420960-4 295-69-436552 35401-6899661-1 35202-3561305-5 35202-4475865-2	Muhammad Hanif Muhammad Hanif Nadeem Ali N/A Muhammad Hanif Munir Ahmed Mubashir Ali	236	1,792	-	2,028	-	1,800	1,800
130	Raja Saqib Zeb House # E. 64/3 Satellite Town, Rawalpindi.	Raja Saqib Zeb	37405-1948459-7	Raja Aurangzeb	1,917	1,867	41	3,825	-	1,959	1,959

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131	Muhammad Waseem Khan House # 13, Street F, Block Z, Peoples Colony, Gujranwala.	Muhammad Waseem Khan	34101-5136998-7	Muhammad Naeem Khan	1,173	563	37	1,773	-	644	644
132	Sohna Pak Industries Nasir Road Tehsil & District Sialkot.	Mian Muhammad Jahangir Mian Muhammad Khalil Muhammad Jamil	34603-6733647-5 34603-2815820-3 346030-489971-9	Muhammad Sharif Muhammad Sharif Muhammad Sharif	1,458	3,860	75	5,393	-	3,729	3,729
133	Syed Brothers House No. B-19/ 588, Mohallah Rang-pura, Tibba, Gujrat	Syed Waiayat Hussain	34201-3881783-1	Syed Sher Ali	3,475	1,321	42	4,838	-	1,412	1,412
134	Fakhar E Mustafa Mir House # E-27/11, Street No. 3, Ghosia Colony, Walton Road, Lahore.	Fakhar E Mustafa Mir	35201-7269874-3	Ghulam Mustafa Mir	-	677	17	694	-	694	694
135	Syed Amjad Ali House # 410/C, Block H, Gulshan E Ravi, Lahore	Syed Amjad Ali	35202-2626987-9	Syed Haider Hussain	-	676	-	676	-	676	676
136	Muhammad Nisar Ahmed, Abdul Hamid & Kalsoom Akhtar House No. 2, Block H, Gulshan Ravi, Lahore	Muhammad Nisar Ahmed Abdul Hamid Sheikh Kalsoom Akhtar	35201-1395065-5 35201-1321749-1 35201-1387954-2	Abdul Hamid Sheikh Sheikh Abdul Majeed Abdul Hamid Sheikh	816	930	-	1,746	-	789	789
137	Specialist Group Inc. (Pvt.) Ltd. Suit No. 203-4, Sarnan Arcade, 1-J, Gulberg III, Lahore	Mian Sultan Ali Barq Gul-E-Rana Hassan Ali Barq	35202-4650002-3 35202-6155233-2 35202-3882926-9	Mian Muhammad Ibrahim Barq Mian Sultan Ali Barq Mian Sultan Ali Barq	5,574	6,349	-	11,923	-	6,349	6,349
138	Hafiz Muhammad Azam House # 3, Street No. 14, Jamia Street, Chohan Road, Islam Pura, Lahore.	Hafiz Muhammad Azam	35202-6164497-5	Muhammad Saleem	-	2,341	18	2,359	-	2,359	2,359
139	Liaqat Ali & Naheed Liaqat House # 80, Block D - 2, Phase I, Wapda Town, Lahore	Liaqat Ali Naheed Liaqat	35202-2191213-9 35202-2129792-8	Muhammad Ashiq Liaqat Ali	1,895	1,666	19	3,580	-	1,675	1,675
140	Umer Autos House # 80, Block D - 2, Phase I, Wapda Town, Lahore	Liaqat Ali	35202-2191213-9	Muhammad Ashiq	1,996	1,314	16	3,326	-	1,312	1,312
141	Abdul Shakoor Ulfat House No.12, Block-I, Sector -B-I, Township, Lahore	Abdul Shakoor Ulfat	35202-0148633-1	Shameer Ahmed	15,016	9,006	47	24,069	-	9,442	9,442
142	Altaf Hussain House # 2, Property # SXI-33-S-3/RH, Islamia Park, Lahore.	Altaf Hussain	35202-3886444-9	Ahmad Din	-	873	52	925	-	924	924
143	Ghousia Tyre Service House # 10, Main Road Housing Colony, Gojra.	Muhammad Rafique	33301-8634909-7	Habib Ahmad	1,219	1,396	43	2,658	-	1,465	1,465
144	Kammal Weaving Factory Chak No. 215/RB, Kakuana, 09-KM Jaranwala Road Faisalabad.	Asghar Maqsood	33100-6311145-5	Kamal	3,027	1,419	67	4,513	-	1,490	1,490
145	Asif Masood House # 376, Ward H, Umar Farooq Street, Muslim Bazar, Mianwali.	Asif Masood	38302-1192099-9	Taj Muhammad	1,699	1,004	37	2,740	-	1,077	1,077
146	Kamal & Company Ejaz Gatta Mill, Sheikhpura Road, Gujranwala	Waseem Ahmad	34101-1660268-9	Muhammad Riaz	695	523	-	1,218	-	541	541

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2017

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year			Principal Written off	Interest/ Markup Written off	Other Fin. Reliefs Provided	Total	
		Name	CNIC No.		Principal	Intt./Acc/Mup	Others					Total
147	Abdul Razzaq House No. 41, Street No. 09, Y-Block, Peoples Colony, Gujranwala.	Abdul Razzaq	34101-9067594-9	Abdul Majeed	490	573	-	1,063	-	558	558	
148	Abdul Majeed Bhatti House # 94, Main Bazar, MujahidAbad, Mughalpur, Lahore	Abdul Majeed Bhatti	35201-7388431-1	Muhammad Shafi	997	744	67	1,808	-	986	986	
149	National Rubber Works House # S-86R-37/03 Fur Guard, Opp PEL Factory, Ferozpur Road, Ismail Nagar, Lahore.	Muhammad Shoukat	35201-1695959-9	Faqir Muhammad Khan	-	3,177	106	3,283	-	3,283	3,283	
150	Muhammad Farooq Hussain & Khalifa Muhammad Hussain House # 18-A, MustafAbad, Infantry Road, Lahore Cantt.	Farooq Hussain Khalifa Muhammad Hussain	35201-2424029-3 35201-1651688-9	Khalifa Muhammad Hussain Ch. Umer Din	-	3,766	67	3,833	-	3,833	3,833	
151	Muhammad Ilyas Siddique & Mian Muhammad Siddique House# E-1, Millat Road, Ghazi Chowk, Link Defence Road Lahore.	Muhammad Ilyas Siddique Mian Muhammad Siddique	35201-5596841-9 35201-1339451-1	Mian Muhammad Siddique Mian Chiragh Din	-	1,215	17	1,232	-	1,232	1,232	
152	Muhammad Jamal Butt House # 226, Block 20, Allama Iqbal Town, Gulshan E Iqbal, Lahore.	Muhammad Jamal Butt	35200-1485749-7	Muhammad Yousaf Butt	-	2,920	-	2,920	-	2,920	2,920	
153	R.B Weaving Factory House # 99, Rachna Town, Satiara Road, Faisalabad.	Rana Muhammad Kashif	33100-5133889-1	Rana Muhammad Azam Khan	1,998	807	52	2,857	-	793	793	
154	Nauman Amin Plot # 255, Lasani Town, Sargodha Road, Tehsil City, District Faisalabad.	Nauman Amin	33100-5501839-9	Muhammad Amin Kyani	2,914	979	92	3,985	-	1,134	1,134	
155	Hayat Weaving Factory House # 26, Street # 04, Zubair Colony, Jaranwala Road, Faisalabad.	Saleem Hayat Sikendar Hayat Umar Hayat Mazhar Hayat	33100-8793598-5 33100-9112368-5 33100-1470463-1 33100-2731724-1	Umar Hayat Umar Hayat Hidayat Ali Umar Hayat	-	3,495	68	3,563	-	3,563	3,563	
156	Mahesh Kumar & Mukesh Kumar Muhalla Hindu, Sector 2, Near Public School, Periyalo Kingri, Taluka Kingri, District Khairpur.	Mahesh Kumar Mukesh Kumar	45204-9936495-9 45204-1735182-5	Sobhraj Sobhraj	353	609	50	1,012	-	594	594	
157	Zahid Traders House # 4-F, Madni Street, Near Siddiqua Masjid, Gulghast Colony, Multan	Muhammad Zahid Niaz	36302-3410404-1	Chaudhry Niaz Ahmad	-	3,794	71	3,865	-	3,865	3,865	
158	Javed Iqbal Malik House # 15/A-1, Street No.1, Usman Block, Awan Town, Lahore	Javed Iqbal Malik	35202-7169491-1	Ahmed Ali	2,317	1,132	17	3,466	-	1,037	1,037	
159	Waheed Anwar House # 89-B, Neelam Cinema Chowk, Aziz Road, Chah Miran, Lahore.	Waheed Anwar	35202-1479013-9	Muhammad Anwar	1,307	769	-	2,076	-	830	830	
160	Ali Husnain Shafi & Tehmina Aftab House # 174, Rehman Villas, Near Q Block, DHA, Lahore	Ali Husnain Shafi Tehmina Aftab	35201-1650957-3 35201-4030624-2	Muhammad Shafi Malik Aftab Yousuf	1,504	949	-	2,453	-	1,013	1,013	
					491,270	705,148	26,547	1,222,965	150,336	-	736,280	886,616

Annexure - III

Disposal of operating fixed assets (refer note 11.2.3)

Description	Cost	Accumulated depreciation	Book value	Sales proceeds /insurance claim	Mode of disposal /settlement	Particulars of buyers	Location
(Rupees in '000)							
Furniture and fixture, electrical, computers, software and office equipment							
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000							
	7,992	6,758	1,234	1,374	Claim	Adamjee Insurance Company	Karachi
	10,009	7,975	2,034	2,185	Sale	MCB Islamic Bank	Lahore
	6,428	6,428	-	15	Bidding/Quotation	Mr. M. Irfan	Sri Lanka
	8,353	8,353	-	11	Bidding/Quotation	Mr. M. H. M. Usman	Sri Lanka
	32,782	29,514	3,268	3,585			
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	712,346	711,145	1,201	4,483	Quotation	Different Buyers	Various
Vehicles							
Toyota Fortuner	7,560	6,048	1,512	2,919	Auction	Khurram Imtiaz	Lahore
Toyota Corolla	1,847	517	1,330	1,587	Claim	Adamjee Insurance Company	Karachi
Honda Accord	4,011	3,209	802	2,060	Auction	Tesoro Ventures	Lahore
Suzuki Cultus	1,055	352	703	900	Claim	Adamjee Insurance Company	Karachi
Suzuki Cultus	1,077	460	617	695	Auction	Umar Khawar	Lahore
Suzuki Cultus	1,059	480	579	845	Claim	Adamjee Insurance Company	Karachi
Suzuki Cultus	1,046	558	488	703	Auction	Umar Khawar	Lahore
Suzuki Jimmy Jeep	1,939	1,551	388	1,125	Auction	Asghar Mashi	Lahore
Honda Civic	1,869	1,495	374	374	Sale to Employee	Ahmad Kareem	Karachi
Suzuki Cultus	950	582	368	677	Auction	Naveed M Hanif	Karachi
Toyota Corolla	1,606	1,285	321	1,140	Auction	Rashid Wahid	Lahore
Toyota Corolla	1,507	1,206	301	1,128	Auction	Usman Khawar	Lahore
Toyota Corolla	1,505	1,204	301	1,122	Auction	Adnan Naseer Ahmed	Lahore
Toyota Corolla	1,472	1,177	295	1,056	Auction	Sajid Mehmood Siddiqui	Lahore
Toyota Corolla	1,413	1,131	282	1,000	Auction	Adnan Naseer Ahmed	Lahore
	29,916	21,255	8,661	17,331			
Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	17,074	13,711	3,363	11,033			
	792,118	775,625	16,493	36,432			



A Passionate Life

Consolidated Financial Statements 2017

Directors' Report on Consolidated Financial Statements

The Board of Directors present the report on the consolidated financial statements of MCB Bank Limited and its subsidiaries namely MCB-Arif Habib Savings & Investments Limited, MCB Financial Services Limited, MNET Services (Private) Limited, MCB Islamic Bank Limited, Financial & Management Services (Private) Limited and MCB Leasing Closed Joint Stock Company for the year ended December 31, 2017.

Profit and Appropriations

The profit before and after taxation for the year ended December 31, 2017 together with appropriations is as under:

	(Rs. in Million)
Profit before taxation	30,614
Taxation	8,566
Profit after taxation	22,048
Profit attributable to non-controlling interest	(85)
Profit attributable to ordinary shareholders	21,963
Un-appropriated profit brought forward	55,509
Re-measurement of defined benefit plans - net of tax	(1,575)
Adjustment in non-controlling interest	(100)
Transfer from surplus on revaluation of fixed assets - net of tax	54
	53,888
Profit available for appropriation	75,851
Appropriations:	
Transferred to Statutory Reserve	2,246
Final Cash Dividend at Rs. 4.0 per share - December 31, 2016	4,452
Interim Cash Dividend at Rs. 4.0 per share - March 31, 2017	4,452
Interim Cash Dividend at Rs. 4.0 per share - June 30, 2017	4,740
Interim Cash Dividend at Rs. 4.0 per share - September 30, 2017	4,740
Total appropriations	20,630
Un-appropriated Profit Carried Forward	55,221

Earnings per Share

The consolidated financial statements reflect Rs. 19.13 earnings per share for the year under review.

Pattern of Shareholding

The pattern of shareholding as at December 31, 2017, as required u/s 227 of the Companies Act, 2017 and Clause (xvi) of the Code of Corporate Governance is annexed with this annual report.

For and on behalf of the Board of Directors

Imran Maqbool.

Imran Maqbool
President & CEO
MCB Bank Limited

Muhammad Ali Zeb

Muhammad Ali Zeb
Director
MCB Bank Limited

February 15, 2018
Lahore

ڈائریکٹرز رپورٹ:

بورڈ آف ڈائریکٹرز ایم سی بی بینک لمیٹڈ اور اس کے ذیلی اداروں ایم سی بی عارف حبیب سیونگ اور انسٹیٹیوٹس لمیٹڈ، ایم سی بی فنانشل سروسز لمیٹڈ، ایم سی بی نیو ایجوکیشن لمیٹڈ، ایم سی بی اسلامک بینک لمیٹڈ، فنانشل ویمنجمنٹ سروسز پرائیویٹ لمیٹڈ اور ایم سی بی لیزنگ کمپنی کی فنانشل اسٹیٹمنٹس پر اپنی رپورٹ پیش کرتے ہیں۔

منافع اور تخصیص:

31 دسمبر 2017 کو اختتام پذیر سال میں قبل اور بعد از ٹیکس منافع اور اس کی تخصیص کچھ اس طرح سے ہے:

ملین روپے	
30,614	منافع قبل از ٹیکس
8,566	ٹیکس
22,048	منافع بعد از ٹیکس
(85)	منافع برائے اقلیتی شیئر ہولڈرز
21,963	منافع برائے ایکویٹی شیئر ہولڈرز
55,509	افتتاحی غیر تخصیص شدہ منافع
(1,575)	متعین ایپلائز، بینیفٹ پلان کی دوبارہ پیمائش (خالص از ٹیکس)
(100)	اقلیتی شیئر ہولڈرز کے ریزرو میں ایڈجسٹمنٹ
54	پائیدار اثاثوں کی از سر نو تخمینے پر اضافی آمدن (خالص از ٹیکس)
53,888	
75,851	تخصیص کیلئے دستیاب منافع
	تخصیص:
2,246	قانونی ریزرو
4,452	حتی کیش ڈیویڈنڈ @ 4.0 روپے فی حصص۔ دسمبر 2016
4,452	عبوری کیش ڈیویڈنڈ @ 4.0 روپے فی حصص۔ مارچ 2017
4,740	عبوری کیش ڈیویڈنڈ @ 4.0 روپے فی حصص۔ جون 2017
4,740	عبوری کیش ڈیویڈنڈ @ 4.0 روپے فی حصص۔ ستمبر 2017
20,630	کل تخصیص
55,221	افتتاحی غیر تخصیص شدہ منافع

فی حصص آمدنی

سال کی فی حصص آمدنی (EPS) 19.13 روپے رہی۔

شیئر ہولڈنگ کا انداز:

کمپنیز ایکٹ 2017 کی سشن 227 اور کوڈ آف کاپورٹ گورننس کی کلاز (xvi) کے تحت بینک کی 31 دسمبر 2017 کو شیئر ہولڈنگ کا انداز اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

منجانب و برائے بورڈ آف ڈائریکٹرز:

محمد علی زریب
ڈائریکٹر - ایم سی بی بینک لمیٹڈ

عمران مقبول
صدر - ایم سی بی بینک لمیٹڈ

15 فروری 2018

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of MCB Bank Limited and its subsidiary companies (the Group) as at December 31, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of MCB Bank Limited and its subsidiary company MNET Services (Private) Limited. While the subsidiary MCB – Arif Habib Savings and Investments Limited was subject to a limited scope review by us. The financial statements of subsidiary companies MCB Islamic Bank Limited, MCB Financial services Limited and MCB Leasing Closed Joint Stock Company (Subsidiary Companies) were audited by other firms of chartered accountants, whose reports have been furnished to us and our opinion, in so far it relates to the amounts included for such Subsidiary Companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of MCB Bank Limited and its subsidiary companies as at December 31, 2017 and the results of their operations for the year then ended.



KPMG Taseer Hadi & Co.
Chartered Accountants
M. Rehan Chughtai

Dated: February 15, 2018
Lahore

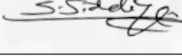
Consolidated Statement of Financial Position

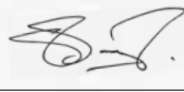
As at December 31, 2017

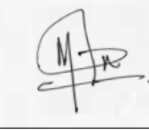
	Note	2017	2016
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	109,462,902	75,732,185
Balances with other banks	7	7,348,882	7,201,459
Lendings to financial institutions	8	5,273,524	2,809,752
Investments - net	9	660,070,246	556,770,384
Advances - net	10	500,965,801	364,470,288
Operating fixed assets	11	42,565,448	35,225,865
Deferred tax assets - net		-	-
Other assets - net	12	47,743,647	34,480,303
		<u>1,373,430,450</u>	<u>1,076,690,236</u>
LIABILITIES			
Bills payable	14	22,994,877	13,291,328
Borrowings	15	140,462,138	77,438,993
Deposits and other accounts	16	1,001,146,162	795,689,546
Sub-ordinated loan	17	3,892,578	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	18	5,661,073	12,889,649
Other liabilities	19	42,730,541	31,420,650
		<u>1,216,887,369</u>	<u>930,730,166</u>
NET ASSETS			
		<u>156,543,081</u>	<u>145,960,070</u>
Represented by			
Share capital	20	11,850,600	11,130,307
Reserves	21	71,027,912	53,512,633
Unappropriated profit		55,221,069	55,509,013
Total equity attributable to the equity holders of the Bank		138,099,581	120,151,953
Non-controlling interest		580,656	509,331
		<u>138,680,237</u>	<u>120,661,284</u>
Surplus on revaluation of assets - net of tax	22	17,862,844	25,298,786
		<u>156,543,081</u>	<u>145,960,070</u>
Contingencies and commitments	23		

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


Imran Maqbool
President and Chief Executive


Salman Zafar Siddiqi
Chief Financial Officer


Samir Iqbal Saigol
Director


Muhammad Ali Zeb
Director


Irfan Ahmed Hashmi
Director

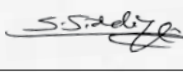
Consolidated Profit And Loss Account

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
Mark-up / return / interest earned	25	76,189,800	69,014,090
Mark-up / return / interest expensed	26	32,649,614	24,167,340
Net mark-up / interest income		43,540,186	44,846,750
Provision / (reversal) for diminution in the value of investments - net	9.3	3,570,201	(647,356)
Provision / (reversal) against loans and advances - net	10.4.2	(2,894,502)	1,204,892
Bad debts written off directly	10.5.1	14	18
		675,713	557,554
Net mark-up / interest income after provisions		42,864,473	44,289,196
Non mark-up / interest income			
Fee, commission and brokerage income		10,038,881	8,244,999
Dividend income		1,632,466	1,123,108
Income from dealing in foreign currencies		1,344,380	895,422
Gain on sale of securities - net	27	4,666,486	5,498,958
Unrealized gain / (loss) on revaluation of investments classified as held for trading	9.5	(272)	5,614
Other income	28	658,437	540,644
Total non mark-up / interest income		18,340,378	16,308,745
		61,204,851	60,597,941
Non mark-up / interest expenses			
Administrative expenses	29	29,692,513	23,628,212
Other provision - net	12.3	562,828	271,151
Other charges	30	768,922	924,495
Total non mark-up / interest expenses		31,024,263	24,823,858
Share of profit of associates		433,119	946,774
Extra ordinary / unusual item		-	-
		30,613,707	36,720,857
Profit before taxation			
Taxation - Current year		3,725,143	12,503,868
- Prior years		(2,166,582)	1,682,063
- Deferred		6,880,293	177,995
Share of tax of associates		127,089	182,786
	31	8,565,943	14,546,712
Profit after taxation		22,047,764	22,174,145
Profit attributable to non-controlling interest		(84,618)	(111,157)
Profit attributable to equity shareholders of the Bank		21,963,146	22,062,988
Basic and diluted earnings per share - Rupees	33	19.13	19.82

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


Imran Maqbool
President and Chief Executive


Salman Zafar Siddiqi
Chief Financial Officer


Samir Iqbal Saigol
Director


Muhammad Ali Zeb
Director


Irfan Ahmed Hashmi
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

	2017	2016
	(Rupees in '000)	
Profit after tax for the year	22,047,764	22,174,145
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans - net of tax	(1,574,754)	780,529
Items that may be reclassified to profit and loss account		
Effect of translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the bank	332,722	(171,117)
- Non-controlling interest	442	(11)
Effect of translation of net investment in foreign branches	333,164	(171,128)
Share of exchange translation reserve of associate	(20,236)	(13,650)
Comprehensive income transferred to equity	20,785,938	22,769,896
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	(10,792,359)	(3,889,715)
Deferred tax	3,744,839	1,408,237
Share of other comprehensive income of associates - net of tax	(344,715)	(521,175)
	(7,392,235)	(3,002,653)
Total Comprehensive income	13,393,703	19,767,243

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



Imran Maqbool
President and Chief Executive



Salman Zafar Siddiqi
Chief Financial Officer



Samir Iqbal Saigol
Director



Muhammad Ali Zeb
Director



Irfan Ahmed Hashmi
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
Cash flows from operating activities			
Profit before taxation		30,613,707	36,720,857
Less: Dividend income & share of profit of associates		(2,065,585)	(2,069,882)
		28,548,122	34,650,975
Adjustments for non-cash items			
Depreciation	11.2 & 29	1,888,413	1,667,632
Amortization	11.3	278,366	385,749
Provision / (reversal) against loans and advances - net	10.4.2	(2,894,502)	1,204,892
Provision / (reversal) for diminution in the value of investments - net	9.3	3,570,201	(647,356)
Other provision - net	12.3	562,828	271,151
Bad debts written off directly	10.5.1	14	18
Provision for Workers' Welfare Fund	30	625,949	730,368
Charge / (reversal) for defined benefit plan - net	29	(144,163)	(98,304)
Operating fixed assets written off	30	13	-
Unrealized (gain) / loss on revaluation of investments classified as held for trading	9.5	272	(5,614)
Gain on sale of shares in associate		(286,706)	(135,485)
Gain on disposal of fixed assets - net	28	(19,955)	(83,172)
		3,580,730	3,289,879
		32,128,852	37,940,854
(Increase) / decrease in operating assets			
Lendings to financial institutions		(2,463,772)	57,992
Net investments in 'held for trading' securities		83,239	282,989
Advances - net		(64,329,224)	(48,767,071)
Other assets - net		(2,861,193)	2,730,106
		(69,570,950)	(45,695,984)
Increase / (decrease) in operating liabilities			
Bills payable		6,765,359	1,316,091
Borrowings		37,833,810	(40,835,357)
Deposits and other accounts		123,715,772	89,449,831
Other liabilities		4,820,500	(9,909)
		173,135,441	49,920,656
Defined benefits paid		135,693,343	42,165,526
Income tax paid		(329,179)	(349,919)
		(7,805,618)	(16,346,807)
Net cash flows from operating activities		127,558,546	25,468,800
Cash flows from investing activities			
Net investments in 'available for sale' securities		(84,808,364)	12,600,364
Net investments in 'held to maturity' securities		(4,102,188)	(6,399,790)
Net cash inflow on amalgamation		14,268,116	-
Proceeds from divestment in associate		782,816	589,075
Dividends received		1,629,251	1,369,552
Investments in operating fixed assets		(5,415,938)	(4,320,234)
Sale proceeds of property and equipment disposed off		38,395	687,021
Net cash flows from investing activities		(77,607,912)	4,525,988
Cash flows from financing activities			
Redemption of Subordinated loan		(779)	-
Dividend paid		(17,315,565)	(17,873,856)
Net cash flows from financing activities		(17,316,344)	(17,873,856)
Exchange differences on translation of net investment in foreign branches & subsidiary companies		333,164	(171,128)
Increase/(decrease) in cash and cash equivalents		32,967,454	11,949,804
Cash and cash equivalents at beginning of the year		81,737,255	71,113,415
Effects of exchange rate changes on cash and cash equivalents		1,040,532	(285,432)
		82,777,787	70,827,983
Cash and cash equivalents at end of the year	34	115,745,241	82,777,787

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

				
Imran Maqbool President and Chief Executive	Salman Zafar Siddiqi Chief Financial Officer	Samir Iqbal Saigol Director	Muhammad Ali Zeb Director	Irfan Ahmed Hashmi Director

Consolidated Statement Of Changes In Equity

For the year ended December 31, 2017

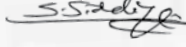
	Attributable to equity shareholders of the Bank							Non controlling interest	Total	
	Capital Reserves				Revenue Reserves					
	Share Capital	Share Premium	Non-distributable capital reserve	Exchange transition reserve	Statutory reserve	General reserve	Unappropriated profit			Total
	(Rupees in '000)									
Balance as at December 31, 2015	11,130,307	9,924,438	-	269,360	22,697,586	18,600,000	52,631,368	115,253,059	512,076	115,765,135
Change in equity for the year ended December 31, 2016										
Total comprehensive income for the year ended December 31, 2016										
Profit after taxation for the year ended December 31, 2016	-	-	-	-	-	-	22,062,988	22,062,988	111,157	22,174,145
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	780,529	780,529	-	780,529
Share of exchange translation reserve of associates	-	-	-	(13,650)	-	-	-	(13,650)	-	(13,650)
Exchange differences on translation of net investment in foreign branches & subsidiaries	-	-	-	(171,117)	-	-	-	(171,117)	(11)	(171,128)
	-	-	-	(184,767)	-	-	22,843,517	22,658,750	111,146	22,769,896
Transactions with owners recognized directly in equity										
Final cash dividend at Rs. 4.0 per share - December 31, 2015	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - March 31, 2016	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - June 30, 2016	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - September 30, 2016	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
	-	-	-	-	-	-	(17,808,492)	(17,808,492)	-	(17,808,492)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	48,636	48,636	-	48,636
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	(113,891)	(113,891)
Transferred to statutory reserve	-	-	-	-	2,206,016	-	(2,206,016)	-	-	-
Balance as at December 31, 2016	11,130,307	9,924,438	-	84,593	24,903,602	18,600,000	55,509,013	120,151,953	509,331	120,661,284
Change in equity for the year ended December 31, 2017										
Total comprehensive income for the year ended December 31, 2017										
Profit after taxation for the year ended December 31, 2017	-	-	-	-	-	-	21,963,146	21,963,146	84,618	22,047,764
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	(1,574,754)	(1,574,754)	-	(1,574,754)
Share of exchange translation reserve of associates	-	-	-	(20,236)	-	-	-	(20,236)	-	(20,236)
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	332,722	-	-	-	332,722	442	333,164
	-	-	-	312,486	-	-	20,388,392	20,700,878	85,060	20,785,938
Transactions with owners recognized directly in equity										
Final cash dividend at Rs. 4.0 per share - December 31, 2016	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - March 31, 2017	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - June 30, 2017	-	-	-	-	-	-	(4,740,240)	(4,740,240)	-	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - September 30, 2017	-	-	-	-	-	-	(4,740,240)	(4,740,240)	-	(4,740,240)
	-	-	-	-	-	-	(18,384,726)	(18,384,726)	-	(18,384,726)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	54,436	54,436	-	54,436
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	(113,891)	(113,891)
Adjustment in Non-controlling interest	-	-	-	-	-	-	(100,156)	(100,156)	100,156	-
Transferred to statutory reserve	-	-	-	-	2,245,890	-	(2,245,890)	-	-	-
Shares issued under amalgamation scheme (note 1.1)	720,293	14,048,586	-	-	-	-	-	-	-	-
Gain on bargain purchase arising on amalgamation of NIB Bank Limited (note 1.1)	-	-	908,317	-	-	-	-	-	-	-
	-	-	908,317	-	-	-	-	908,317	-	908,317
Balance as at December 31, 2017	11,850,600	23,973,024	908,317	397,079	27,149,492	18,600,000	55,221,069	138,099,581	580,656	138,680,237

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

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



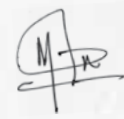
Imran Maqbool
President and Chief Executive



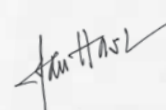
Salman Zafar Siddiqi
Chief Financial Officer



Samir Iqbal Saigol
Director



Muhammad Ali Zeb
Director



Irfan Ahmed Hashmi
Director

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

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 1,433 branches (2016: 1,227 branches) within Pakistan and 11 branches (2016: 11 branches) outside the country (including the Karachi Export Processing Zone branch).

1.1 Business Combination - Merger of NIB Bank Limited with and into MCB Bank Limited

During the current year, the Bank completed the merger of NIB Bank Limited with and into MCB Bank Limited. This is effective from the close of business on July 07, 2017 (the effective date).

The State Bank of Pakistan (SBP), through its letter BPRD (R&P-02)/2017/14329 dated June 13, 2017, has approved the scheme of amalgamation and granted sanction order for the amalgamation of NIB Bank Limited with and into the Bank. The Committee of the Board of Directors of MCB Bank Limited (MCB), in their meeting held on December 07, 2016, approved and resolved to present the draft Scheme of Amalgamation of NIB Bank Limited (NIB) with and into MCB before the shareholders of MCB for their approval. The shareholders of MCB approved the Scheme of Amalgamation in the Extraordinary General Meeting (EOGM) held on January 23, 2017 as per the procedure provided in Section 48 of the Banking Companies Ordinance, 1962. The Bank has issued 72,029,258 ordinary shares of MCB in aggregate in favour of the shareholders of NIB on the basis of a swap ratio of 1 (one) ordinary share of MCB for every 140.043 ordinary shares of NIB Bank.

International Financial Reporting Standard (IFRS) 3, Business Combinations, requires that all identified assets (including intangible assets) and liabilities acquired in a business combination should be carried at their fair values on the acquirer's balance sheet and any intangible assets acquired in the business combination should be separately recognized and carried at their fair values. IFRS - 3 allows the acquirer a maximum period of one year from the date of acquisition to finalize the determination of the fair values of the assets and liabilities and to determine the value of any intangibles separately identified. The Bank has carried out fair valuation exercise and incorporated fair value adjustments in these financial statements.

The fair values and carrying amounts of assets and liabilities acquired are as follows:

	Carrying amounts as at July 07, 2017	Fair value and other adjustments	Fair value as at July 07, 2017
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	12,823,492	-	12,823,492
Balances with other banks	1,444,624	-	1,444,624
Investments - net	27,935,898	2,190,399	30,126,297
Advances - net	69,271,801	-	69,271,801
Operating fixed assets	2,125,300	1,940,690	4,065,990
Deferred tax assets - net	12,936,916	(3,533,442)	9,403,474
Other assets - net	6,397,184	(209,612)	6,187,572
	132,935,215	388,035	133,323,250
Liabilities			
Bills payable	2,938,190	-	2,938,190
Borrowings	24,278,649	-	24,278,649
Deposits and other accounts	81,740,844	-	81,740,844
Sub-ordinated loan	4,192,997	-	4,192,997
Other liabilities	4,495,374	-	4,495,374
	117,646,054	-	117,646,054
Net assets acquired	15,289,161	388,035	15,677,196

Details of the fair values of the net assets acquired, purchase consideration and gain on bargain purchase are as follows:

	(Rupees in '000)
Fair value of net assets acquired	15,677,196
Purchase consideration (72,029,258 MCB shares issued @ of Rs. 205.04)*	14,768,879
Gain on bargain purchase	908,317

*The fair value of the shares issued to the shareholders of the NIB Bank Limited is based on the published quoted price of the shares of the MCB Bank Limited as at July 07, 2017.

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 has not been taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 has 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 the SBP, in the acquired assets and liabilities of NIB Bank Limited against the NCR.

1.2 Demerger of 90 branches from MCB Bank Limited

The Board of Directors in their meeting held on October 25, 2017 had approved the "Scheme of

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and its wholly owned subsidiary MCB Islamic Bank Limited (MIB)". The Scheme envisages transfer of banking business of ninety (90) branches of the Bank subject to the approval by the shareholders of the banks and sanction by the Honourable Lahore High Court where under the assets, rights, liabilities, operations, systems, staff, assets of back office functions and obligations of the Bank relating to banking business of these branches will be transferred to and vested in MIB. The banking business of these branches will also stand converted into Islamic banking business on the effective date pursuant to the compliance of applicable regulatory permissions.

Both the banks have filed a petition before the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under Section 279 to 283 and 285 read with other enabling provisions of the Companies Act, 2017. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on February 10, 2018.

Subsidiary companies

MCB Financial Services Limited

MCB Financial Services Limited (the Company) was incorporated on February 12, 1992 as a private limited company. The company converted its status from Private Limited Company to Unlisted Public Limited Company on June 19, 2009. The principal objects of the company are to act as Trustee of investment trust schemes, voluntary pension schemes, real estate investment trust schemes, to provide custodian services and to act as transfer agent/ share registrar of securities of listed and non listed companies and mutual funds etc. The Company's main source of income is from trusteeship services provided to mutual funds. Its registered office is located at Karachi. The Bank owns 99.999% shares of the company while remaining shares are held by nominees of the Bank.

MNET Services (Private) Limited

MNET Services (Private) Limited (the Company) is a private limited company incorporated in Pakistan on September 7, 2001. The company's registered office and principal place of business are situated at MCB Building, F-6 / G-6, Jinnah Avenue, Islamabad and Sheikh Sultan Trust Building, Beaumont Road, Karachi respectively. The core objective of the company is to provide services in Information Technology and to develop computer software and other data processing equipment for planning, designing, management and execution of all types

of financial, personal, organizational and institutional activities. The Bank owns 99.95% shares of the company while remaining shares are held by nominees of the Bank.

MCB - Arif Habib Savings and Investments Limited

MCB - Arif Habib Savings and Investments Limited (the Company) was incorporated on August 30, 2000, as an unquoted public limited company. During 2008, the Company was listed on the Pakistan Stock Exchange by way of offer for sale of shares by a few of the existing shareholders of the Company to the general public. The registered office of the Company is situated at 8th Floor, Techno City, Corporate Tower, Molana Hasrat Mohani Road, Karachi, Pakistan.

The Company is registered as an Asset Management Company and Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Pension Fund Manager under Voluntary Pension System Rules 2005. The Company also manages discretionary portfolio accounts. The Bank owns 51.33% shares of the company.

"MCB Leasing" Closed Joint Stock Company

"MCB Leasing" 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 providing finance leases within the Republic of Azerbaijan. The Company leases out various types of industrial equipment, equipment used in medicine, public transport, infrastructure projects and for other business needs. In addition, the Company leases out cars, trucks and rail cars. The Company purchases assets for lease from suppliers in the Republic of Azerbaijan and abroad.

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

“Certificate of Commencement of Business” to MCBIBL on January 30, 2015. MCBIBL is a wholly owned subsidiary of MCB Bank Limited (MCB). The State Bank of Pakistan (SBP) granted a “Certificate of Commencement of Banking Business” to MCBIBL on September 14, 2015 under Section 27 of the Banking Companies Ordinance, 1962. MCBIBL formally commenced operations as a Scheduled Islamic Commercial Bank with effect from October 15, 2015 upon receiving notification in this regard from SBP under section 37 of the State Bank of Pakistan Act, 1956. Currently, MCBIBL is engaged in corporate, commercial, consumer, investment and retail banking activities.

MCBIBL is operating through 76 branches in Pakistan (December 31, 2016: 66 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 group holds 95.90% shareholding in this subsidiary.

2. BASIS OF PRESENTATION

- 2.1 These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The Islamic Banking 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 Ordinance, 1984.
- 2.3 Key financial figures of the MCBIBL are disclosed in Annexure II to consolidated financial statements.

- 2.4 For the purpose of translation, rate of Rs. 110.4172 per US Dollar (2016: Rs. 104.5985) has been used.

3. STATEMENT OF COMPLIANCE

- 3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions and directives given in Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its Circular No. 23 dated October 04, 2017, these consolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, ‘Financial Instruments: Recognition and Measurement’ and IAS 40, ‘Investment Property’ for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 “Financial Instruments: Disclosures” on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

IFRS10 Consolidated Financial Statements was made applicable from period beginning on or after 1 January 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements.

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

During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective, however, the amendments, interpretations and improvements are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated financial statements.

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

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2018:

	Effective date (annual periods beginning on or after)
• IFRS 2 - Share-based Payment (amendments)	January 1, 2018
• IAS 28 - Investments in Associates and Joint Ventures (amendments)	January 1, 2018
• IFRS 9 – Financial Instruments: Classification and Measurement*	July 1, 2018
• IFRS 15 - Revenue from contracts with customers	July 1, 2018
• IAS 12 - Income Taxes - (Amendments)	July 1, 2018
• IFRS 3 - Business Combinations - (Amendments)	January 1, 2019

*IFRS 9 - Financial Instruments - The Bank is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further instructions.

There are other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2018 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 financial statements.

The State Bank of Pakistan has issued BPRD Circular No. 02 of 2018 dated January 25, 2018, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2018. The 'Revised Forms of Annual Financial Statements'

have changed / added certain disclosures.

The Companies Act 2017 which is not effective on these consolidated financial statements, has added certain disclosure requirements which will be applicable in future.

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

4. BASIS OF MEASUREMENT

4.1 These 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.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. The management regularly reviews significant observable and unobservable inputs and valuation adjustments. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. The valuation of financial assets and financial liabilities are categorized and disclosed keeping in view the measurement requirements specified in note 3.1.

4.2 The consolidated financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand.

4.3 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Group's financial statements or

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

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 which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) **Provision against advances**

The Group reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in notes 10.4.4 to 10.4.7.

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 36 of these consolidated financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year.

5.1 Basis of consolidation

- a) The consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of associates are accounted for under the equity basis of accounting.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

- 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, 2017 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Material intra-group balances and transactions have been eliminated.
- c) Associates are all entities over which the Group has significant influence but not control 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.

5.2 Investments

The Group classifies its investments as follows:

a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity.

c) Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for

trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment. Transaction costs on investments held for trading are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account, currently.

Unquoted equity securities (excluding investments in subsidiaries and associates) are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available 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. Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associate and subsidiary at the date of acquisition. Goodwill on acquisitions of associates is included in 'investments in associates'.

5.3 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the 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 the consolidated financial statements as investments and the amount extended to the counter

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party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

5.4 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Advances are written off when there is no realistic prospect of recovery.

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

In Murabaha transactions, the Group purchases the goods through its agent or client and after taking the possession, sells them to the customer on cost plus profit basis either in a spot or credit transaction. Under Murabaha financing, funds disbursed for purchase of goods are recorded as 'Advance against Murabaha finance'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financing are recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

In Ijarah financing, the Group provides the asset on pre-agreed rentals for specific tenors to the customers. Ijarah assets are stated at cost less depreciation and are disclosed as part of 'Islamic financing and related assets'. The rental on Ijarah under Islamic Financial Accounting Standard - 2 Ijarah (IFAS 2) are recorded as income / revenue. The Group charges depreciation from the date of recognition of Ijarah of respective assets to Mustajir. Ijarah assets are depreciated over the period of Ijarah using the straight line method.

In Diminishing Musharaka based financing, the

Group enters into Musharaka based on Shirkat-ul-Milk for financing and agreed share of fixed assets (example: house, land, plant, machinery or vehicle) with its customers and enters into period profit payment agreement for the utilization of the Group's Musharaka share by the customer.

In Istisna financing, the Group places an order to purchase some specific goods / commodities from its customers to be delivered to the Group within an agreed time. The goods are then sold and the amount financed is received back by the Group alongwith profit.

5.5 Operating fixed assets and depreciation

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

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

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

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Gains / losses on sale of property and equipment are credited / charged to the profit and loss account currently, except that the related surplus

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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.

5.5.1 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 Group. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

5.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.7 Staff retirement benefits MCB Bank Limited

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
- an approved contributory provident fund;
 - an approved gratuity scheme; and
 - a contributory benevolent scheme
- b) For clerical / non-clerical staff who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:

- an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
- an approved pension fund; and
- contributory benevolent scheme

c) For officers who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:

- an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
- an approved pension fund, and
- contributory benevolent fund.

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.

d) For executives and officers who joined the Bank on or after January 01, 2000, the Bank operates an approved contributory provident fund.

e) Post retirement medical benefits to entitled employees.

Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the Projected Unit Credit Method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in other Comprehensive Income in the period of occurrence.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognises past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs; and
- (ii) 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

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are recognized in Profit and Loss account in the period of occurrence.

MNET Services (Private) Limited

The company operates an unfunded gratuity scheme for its eligible employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company. Accrual of charge for the year is made on the basis of actuarial valuations carried out under the projected unit credit method.

5.8 **Taxation**

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Group records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.9 **Provisions**

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable

estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

5.10 **Foreign currencies**

5.10.1 **Foreign currency transactions**

Transactions in foreign currencies other than the results of foreign operations discussed in note 5.10.2 are translated to Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities.

5.10.2 **Foreign operations**

The assets and liabilities of foreign branches and subsidiaries are translated to Rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

5.10.3 **Translation gains and losses**

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Group's net investment in foreign branches and subsidiaries, which are taken to the capital reserve (exchange translation reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

5.10.4 **Commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the date of the statement of financial position.

5.11 **Acceptances**

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities.

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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 Group's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account currently.
- Ijarah income is recognized on an accrual basis as and when the rental becomes due.
- Profit from Bai-Mua'jjal is recognised on an accrual basis.
- Profit on Diminishing Musharaka is recognised on an accrual basis.
- Profit on Istisna financing is recognised on an accrual basis.
- Profit from Murabaha financing is accounted for on culmination of Murabaha transaction. Profit on Murabaha is recognised on an accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately on the later date.
- Outsourcing revenue, payment system managed service income, subscription fee in Switch product revenue and networking services revenue is recognised on an accrual basis when the related services are rendered.
- Revenue for acting as trustee is recognized on Net Assets Value (NAV) of respective funds.
- Management / advisory fee is calculated on a daily / monthly basis by charging specified rates to the net assets value / income of the Collective Investment Schemes. Advisory fee from the discretionary portfolio is calculated in accordance with the respective agreements with the clients. Management fee from the pension funds is calculated by charging the specified rates to the average net assets value.

5.13 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements

5.14 Assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. 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 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 (excluding investment in associates), 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.

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5.16.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

5.16.3 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the 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.

5.17 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

5.18 Segment reporting

A segment is a distinguishable component of the 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

Corporate Finance

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

Trading and Sales

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

Retail and Consumer Banking

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

Commercial Banking

It includes project finance, export finance, trade

finance, leasing, lending, deposits, guarantees and bills of exchange relating to its corporate customers.

Assets Management

It includes asset management, investment advisory, portfolio management, equity research and underwriting.

5.18.2 Geographical segments

The Group operates in three geographic regions being:

- Pakistan
- South Asia
- Middle East
- Eurasia

5.19 Business combination

Business combinations 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. However, as more fully described in note 1.1 to these consolidated financial statements, the gain on bargain purchase arisen on acquisition has been recognised directly in equity as per the directives of the SBP.

5.20 Dividend distribution and appropriation

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

5.21 Earnings per share

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	6.1	19,198,845	15,286,337
- foreign currencies		3,508,250	2,851,119
With State Bank of Pakistan (SBP) in:			
Local currency current account	6.2	48,926,928	32,490,494
Foreign currency current account	6.3	309,346	128,255
Foreign currency deposit account	6.4	9,285,512	5,987,699
With other central banks in foreign currency current account	6.5	6,809,706	2,725,948
With National Bank of Pakistan in local currency current account		21,424,315	16,262,333
		<u>109,462,902</u>	<u>75,732,185</u>

6.1 This includes national prize bonds amounting to Rs.146.916 million (2016: Rs. 150.008 million).

6.2 This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

6.3 This represents US Dollar settlement account maintained with SBP.

6.4 This represents account maintained with the SBP to comply with the Special Cash Reserve requirement. This includes balance of Rs. 6,964.134 million (2016: Rs. 4,490.774 million) which carry interest rate of 0.37% (2016: 0%) per annum as declared by SBP.

6.5 Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2017	2016
(Rupees in '000)			
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
- current account		3,593	4,571
- deposit account	7.1	2,199,274	2,345,264
Outside Pakistan			
- current account		3,216,380	3,555,886
- deposit account	7.2	1,929,635	1,295,738
		<u>7,348,882</u>	<u>7,201,459</u>

7.1 This represents savings accounts carrying profit at expected rates ranging from 0.05% to 5.75% per annum (2016: 0.60% to 5.64% per annum).

7.2 Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 1.85% to 11% (2016: 1.65% to 13%) per annum.

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	Note	2017	2016
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2	3,254,496	558,800
Repurchase agreement lendings	8.3 & 8.5	619,028	2,250,952
Other lendings to financial institutions	8.4	1,400,000	-
		<u>5,273,524</u>	<u>2,809,752</u>
8.1 Particulars of lendings			
In local currency		3,400,000	1,989,014
In foreign currencies		1,873,524	820,738
		<u>5,273,524</u>	<u>2,809,752</u>

8.2 The call money lendings carry mark-up at the rate of 1.25% to 8.15% (2016: 8.42%) per annum and are due to mature latest by January 2018.

8.3 Repurchase agreement lendings carry mark-up at rate of 7.25% (2016: 5.80% to 7.0%) per annum and are due to mature latest by January 2018.

8.4 This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 5.80% to 5.85% per annum (December 31, 2016: Nil).

8.5 Securities held as collateral against lendings to financial institutions

	2017			2016		
	Held by Group	Further Given as collateral	Total	Held by Group	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	619,028	-	619,028	2,250,952	-	2,250,952
	<u>619,028</u>	<u>-</u>	<u>619,028</u>	<u>2,250,952</u>	<u>-</u>	<u>2,250,952</u>

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9. INVESTMENTS - NET

9.1 Investments by types

Note	2017			2016			
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total	
(Rupees in '000)							
Held for trading securities							
- Shares in listed companies	29,396	-	29,396	145,662	-	145,662	
- Units in open ended mutual fund	388,093	-	388,093	354,427	-	354,427	
- Market Treasury Bills	4,975	-	4,975	-	-	-	
	422,464	-	422,464	500,089	-	500,089	
Available-for-sale securities							
- Market Treasury Bills	295,442,614	88,919,726	384,362,340	257,767,747	38,952,255	296,720,002	
- Pakistan Investment Bonds	199,781,211	-	199,781,211	191,685,598	-	191,685,598	
- Shares in listed companies	25,031,242	-	25,031,242	19,642,084	-	19,642,084	
- Units in open ended mutual fund	990,016	-	990,016	434,537	-	434,537	
- Investment in REIT	174,678	-	174,678	174,678	-	174,678	
- Shares in unlisted companies	1,520,789	-	1,520,789	205,890	-	205,890	
- NIT units	5,253	-	5,253	5,253	-	5,253	
- Sukuk Bonds	7,492,164	-	7,492,164	3,526,509	-	3,526,509	
- Term Finance Certificates	738,321	-	738,321	332,467	-	332,467	
	531,176,288	88,919,726	620,096,014	473,774,763	38,952,255	512,727,018	
Held-to-maturity securities							
- Market Treasury Bills	-	-	-	763,486	47,498	810,984	
- Pakistan Investment Bonds	23,056,942	-	23,056,942	8,446,443	-	8,446,443	
- Provincial Government Securities	118	-	118	118	-	118	
- Sukuk Bonds	1,939,571	-	1,939,571	1,941,310	-	1,941,310	
- Euro Bonds	316,496	-	316,496	2,845,467	-	2,845,467	
- Term Finance Certificates							
Debentures, Bonds and Others	6,462,915	-	6,462,915	4,889,080	-	4,889,080	
- Commercial papers	179,886	-	179,886	-	-	-	
- Certificates of deposit	2,404,784	-	2,404,784	3,531,136	-	3,531,136	
	34,360,712	-	34,360,712	22,417,040	47,498	22,464,538	
Associates							
- Adamjee Insurance Company Limited	9.8	4,385,602	-	4,385,602	5,375,158	-	5,375,158
- Euronet Pakistan (Private) Limited	9.9	70,637	-	70,637	72,357	-	72,357
		4,456,239	-	4,456,239	5,447,515	-	5,447,515
Investments at cost							
		570,415,703	88,919,726	659,335,429	502,139,407	38,999,753	541,139,160
Less: Provision for diminution in value of investments	9.3	(5,984,983)	-	(5,984,983)	(1,886,821)	-	(1,886,821)
Investments (net of provisions)							
		564,430,720	88,919,726	653,350,446	500,252,586	38,999,753	539,252,339
Surplus / (deficit) on revaluation of available for sale securities - net	22.2	6,744,517	(24,445)	6,720,072	17,520,972	(8,541)	17,512,431
Surplus / (deficit) on revaluation of 'held for trading' securities - net	9.5	(272)	-	(272)	5,614	-	5,614
Investments at revalued amounts - net of provisions		571,174,965	88,895,281	660,070,246	517,779,172	38,991,212	556,770,384

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	Note	2017	2016
(Rupees in '000)			
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills		382,036,987	295,971,307
- Pakistan Investment Bonds		222,838,153	200,132,041
- Euro Bonds		316,496	2,845,467
- Sukuk Bonds		5,745,560	2,661,509
Overseas Government Securities			
- Market Treasury Bills - Sri Lanka		2,330,328	1,559,679
- Development Bonds		664,016	631,248
Provincial Government Securities		118	118
Associated Undertakings		4,456,239	5,447,515
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas		26,375,462	20,513,425
- Unlisted companies / funds		1,491,013	205,890
Fully Paid-up Preference Shares:			
- Listed Companies		63,285	63,285
- Unlisted companies / funds		29,776	-
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates		2,331,055	2,280,935
- Unlisted Term Finance Certificates		3,657,728	1,746,674
- Debentures, Bonds and Participation Term Certificates		548,437	562,690
Other Investments:			
- Sukuk Bonds		3,686,175	2,806,310
- Certificates of deposit		2,404,784	3,531,136
- Commercial papers		179,886	-
- Investment in REIT		174,678	174,678
- NIT Units		5,253	5,253
Total investments at cost		659,335,429	541,139,160
Less: Provision for diminution in the value of investments	9.3	(5,984,983)	(1,886,821)
Investments (net of provisions)		653,350,446	539,252,339
Surplus on revaluation of available for sale securities - net	22.2	6,720,072	17,512,431
Surplus / (deficit) on revaluation of held for trading securities - net	9.5	(272)	5,614
Investments at revalued amounts - net of provisions		660,070,246	556,770,384
9.3 Particulars of provision			
Opening balance		1,886,821	2,534,177
Charge during the year		4,003,005	20,459
Reversal on disposal of shares		(432,568)	(665,844)
Other reversal made during the year		(236)	(1,971)
		3,570,201	(647,356)
Transfer from NIB under merger		527,961	-
Closing balance		5,984,983	1,886,821
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Listed shares / Certificates / Units		5,258,791	1,688,355
Unlisted shares		161,141	80,961
Term Finance Certificates		122,865	-
		5,542,797	1,769,316
Held-to-maturity securities			
Unlisted TFCs, Debentures, Bonds and Participation Term Certificates		442,186	117,505
		5,984,983	1,886,821

Notes to and forming part of the Consolidated Financial Statements

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9.4 Quality of 'available for sale' securities

Note	2017		2016		
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating	
Market Treasury Bills	9.4.1	384,269,158	Unrated	296,652,703	Unrated
Pakistan Investment Bonds	9.4.1	205,771,813	Unrated	204,586,538	Unrated
Term Finance Certificates					
Bank Al-Falah Limited		-	-	335,958	AA & A1+
Bank Al-Habib Ltd		265,106	AA	-	-
Habib Bank Limited		297,349	AA+	-	-
Summit Bank Limited		50,402	A-	-	-
		612,857		335,958	
Sukuk Bonds					
Liberty Power Tech Limited		262,089	A+	-	-
Meezan Bank Limited		882,181	AA-	510,335	AA-
Central Bank of Bahrain Sukuks		110,939	Unrated	-	-
GOP Ijarah Sukuk - 15		-	Unrated	1,906,143	Unrated
GOP Ijarah Sukuk - 16		1,148,094	Unrated	563,475	Unrated
GOP Ijarah Sukuk - 17		1,821,260	Unrated	-	Unrated
GOP Ijarah Sukuk - 18		963,074	Unrated	57,126	Unrated
GOP Ijarah Sukuk - 19		1,698,982	Unrated	-	Unrated
WAPDA III Sukuk Certificates		115,530	Unrated	144,332	Unrated
Fatima Fertilizer Company Limited		308,250	AA-	375,000	AA-
Dubai Islamic Bank Pakistan Limited		131,266	A+	-	-
AlBaraka Bank Pakistan Limited		100,000	A	-	-
		7,541,665		3,556,411	
Shares in Listed Companies	9.4.2				
Abbott Laboratories (Pakistan) Limited		523,347	Unrated	701,260	Unrated
Agritech Limited		2,947	Unrated	-	-
Aisha Steel Mills Limited - Preference Shares		3,450	Unrated	2,726	Unrated
Aisha Steel Mills Limited		284,718	A- & A-2	-	-
Al Shaheer Corporation Limited		69,493	Unrated	334,499	Unrated
Allied Bank Limited		452,552	AA+ & A1+	634,841	AA+ & A1+
Attock Petroleum Limited		14	Unrated	659,801	Unrated
Attock Refinery Limited		203,357	AA & A1+	402,206	AA & A1+
Bank Alfalah Limited		-	-	448,535	AA & A1+
Bank Al-Habib Limited		2	AA+ & A1+	2	AA+ & A1+
The Bank of Punjab		204,708	AA & A1+	-	AA & A1+
Bestway Cement Limited		190,450	AA- & A1+	461,735	AA- & A1+
Crescent Steel and Allied Products Limited		505,217	A+ & A-2	489,784	Unrated
Dawood Hercules Corporation Limited		455,273	AA- & A1+	587,322	AA- & A1+
Dolmen City REIT		174,678	RR1	172,613	RR1
Engro Corporation Limited		504,221	AA & A1+	534,255	AA & A1+
Engro Fertilizer Limited		697,685	AA- & A1+	700,364	AA- & A1+
Engro Foods Limited		6,794	Unrated	-	-
Engro Polymer & Chemicals Limited		171,503	A & A1	-	-
Engro Powergen Qadirpur Limited		163,977	A & A1	31,458	A & A1
Fatima Fertilizer Company Limited		366,777	A- & A2	397,803	AA- & A1+
Fauji Cement Company Limited		187,613	Unrated	653,728	Unrated
Fauji Fertilizer Bin Qasim Company Limited		-	-	71,131	Unrated
Fauji Fertilizer Company Limited		798,536	AA & A1+	1,246,908	AA & A1+
Faysal Bank Limited		-	-	209,850	AA & A1+
Fecto Cement Limited		151,833	Unrated	382,403	Unrated
Ferozsons Laboratories Limited		10,415	Unrated	56,980	Unrated
First Capital Mutual Fund		76	2-Star	104	3-Star
Gadoon Textile Mills Limited		74,865	Unrated	-	-
General Tyre and Rubber Company of Pakistan Limited		176,268	Unrated	-	-
Ghandhara Nissan Limited		279,215	Unrated	-	-
Glaxosmithkline Pakistan Limited		435,934	Unrated	-	-
Habib Bank Limited		208,361	AAA & A1+	27	AAA & A1+
Habib Metropolitan Bank Limited		544,410	AA+ & A1+	498,594	AA+ & A1+
Hub Power Company Limited		9	AA+ & A1+	528,186	AA+ & A1+
Honda Atlas Cars (Pakistan) Limited		-	-	234,024	Unrated
Hum Network Limited		113,142	A+ & A1	207,589	A+ & A1
IGI Insurance Limited		431,925	AA	225,899	AA
Indus Motor Company Limited		109,345	Unrated	291,100	Unrated
International Industries Limited		120,055	AA- & A1	114,089	AA- & A1
International Steels Limited		315,015	A+ & A1	156,417	A+ & A1
K-Electric Limited		357,897	AA & A1	2,010	AA & A1
Kohinoor Textile Mills Limited		70,857	A+ & A1	362,776	A+ & A1
Kot Addu Power Company Limited		898,082	AA+ & A1+	1,312,966	AA+ & A1+
Loads Limited		123,290	Unrated	-	-
Lucky Cement Company limited		323,588	Unrated	-	-
Balance carried forward		10,711,894		13,113,985	

Notes to and forming part of the Consolidated Financial Statements

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Note	2017		2016	
	Market value	Credit rating	Market value	Credit rating
	(Rupees in '000)		(Rupees in '000)	
Balance brought forward	10,711,894		13,113,985	
Maple Leaf Cement Factory Limited	247,216	A+ & A1	-	-
Masood Textile Mills Limited - Preference Shares	40,150	Unrated	50,000	Unrated
Mughal Iron and Steel Industries Ltd	34,773	Unrated	-	-
Millat Tractor Limited	-	-	845,224	Unrated
National Bank of Pakistan	220,511	AAA & A1+	364,789	AAA & A1+
National Refinery Limited	387,395	AA+ & A1+	52,543	AA+ & A1+
Nestle Pakistan Limited	439,461	Unrated	405,720	Unrated
Next Capital Limited	38,721	A- & A2	57,033	A- & A2
Oil & Gas Development Company Limited	815,746	AAA & A1+	729,365	AAA & A1+
Packages Limited	490,151	AA & A1+	512,410	AA & A1+
Pak Elektron Limited	274,000	A+ & A1	507,594	A+ & A1
Pak Suzuki Motor Company Limited	190,745	Unrated	-	-
Pakistan Oil Fields Limited	116	Unrated	104	Unrated
Pakistan Petroleum Limited	628,668	Unrated	411,120	Unrated
Pakistan National Shipping Corporation Limited	73	AA- & A1+	113	AA- & A1+
Pakistan Reinsurance Company Limited	180,625	AA	232,613	AA
Pakistan Telecommunication Company Limited	211,769	Unrated	265,689	Unrated
Pioneer Cement Limited	83,893	A & A1	49,745	A & A1
Rafhan Maize Products Company Limited	378,468	Unrated	457,035	Unrated
Saif Power Limited	444,076	A+ & A1	545,846	A+ & A1
Siemens (Pakistan) Engineering Company Limited	10,588	Unrated	15,957	Unrated
Sui Northern Gas Pipelines Limited	1,937,898	AA- & A1	2,501,426	AA- & A1
Sui Southern Gas Company Limited	285,291	A+ & A1	455,120	A+ & A1
Treet Corporation Limited	84,363	AA- & A1	191,138	AA- & A1
Trust Securities & Brokerage Limited	5,250	Unrated	3,150	Unrated
Unilever Pakistan Foods Limited	6,342	Unrated	5,072	Unrated
United Bank Limited	226,990	AAA & A1+	330,066	AAA & A1+
Zulfiqar Industries Limited	-	-	3,230	Unrated
	18,375,173		22,106,087	
Closed Ended Mutual Fund				
PICIC Investment Fund	882,302	Unrated	285,624	Unrated
PICIC Growth Fund	1,232,739	Unrated	-	-
	2,115,041		285,624	
Open Ended Mutual Fund				
HBL Energy Fund	91,640	Unrated	-	-
HBL Equity Fund	107,184	Unrated	-	-
HBL Government Securities Fund	275,185	Unrated	-	-
HBL Islamic Equity Fund	81,470	Unrated	-	-
Pakistan Pension Fund	244,963	Unrated	259,672	Unrated
Pakistan Islamic Pension Fund	255,268	Unrated	279,121	Unrated
Pakistan Stock Market Fund	164,419	Unrated	273,408	Unrated
	1,220,129		812,201	
Shares in Un-listed Companies	9.4.2			
National Investment Trust Limited	1,027,651	AM2++	100	AM2+
SME Bank Limited	-	B & B	-	B & B
First Capital Investment (Private) Limited	2,500	AM4++	2,500	AM4++
Al-Arabia Sugar Mills Limited - preference shares	4,776	Unrated	-	-
Pak Elektron Limited - preference shares	25,000	A+ & A1	-	-
First Women Bank Limited	63,300	A- & A2	63,300	A- & A2
Pak Asian Fund Limited	11,500	Unrated	11,500	Unrated
Pakistan Agro Storage and Services corporation	2,500	Unrated	2,500	Unrated
Arabian Sea Country Club	-	Unrated	-	Unrated
Central Depository Company of Pakistan Limited	184,426	Unrated	10,000	Unrated
National Institutional Facilitation Technologies (Private) Limited	1,526	Unrated	1,526	Unrated
Society for Worldwide Interbank Financial Telecommunication	4,662	Unrated	1,738	Unrated
ISE Towers REIT Management Company Limited	30,346	Unrated	30,346	Unrated
LankaClear (Private) Limited	720	Unrated	699	Unrated
Lanka Financial Services Bureau Limited	720	Unrated	699	Unrated
Credit Information Bureau of Sri Lanka	21	Unrated	21	Unrated
	1,359,648		124,929	
Other Investment				
N.I.T. Units	7,805	AM2++	9,682	AM2-
	621,273,289		528,470,133	

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For the year ended December 31, 2017

9.4.1 These are Government of Pakistan guaranteed securities.

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

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

	Unrealized gain / (loss)		Cost	
	2017	2016	2017	2016
(Rupees in '000)				
9.5.1 Investee Company				
Al Shaheer Corporation	-	463	-	13,457
Engro Corporation Limited	-	28	-	15,049
Engro Fertilizers Limited	-	193	-	8,135
Indus Motor Company Limited	-	204	-	7,949
Millat Tractor Limited	-	134	-	16,512
National Refinery Limited	-	6	-	280
Pak Elektron Limited	(5,651)	174	29,396	24,774
Pakistan State Oil Corporation	-	718	-	32,325
Pakistan Telecommunication Company Limited	-	(77)	-	1,657
Sui Northern Gas Pipelines Limited	-	(188)	-	16,502
Treet Corporation Limited	-	(33)	-	9,022
Market Treasury Bills	(1)	-	4,975	-
	(5,652)	1,622	34,371	145,662
9.5.2 Investment in units of mutual funds				
Investee Company				
MCB Pakistan Sovereign Fund	-	691	-	87,152
MCB Cash Management Optimizer	4,301	3,301	338,421	267,275
MCB Pakistan Stock Market Fund	1,079	-	49,672	-
	5,380	3,992	388,093	354,427
	(272)	5,614	422,464	500,089

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 (2016: 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 (2016: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.

9.8 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2017 amounted to Rs. 3,906.139 million (2016: Rs. 6,351.272 million).

Notes to and forming part of the Consolidated Financial Statements

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Investment in Adamjee Insurance Company Limited under equity method - holding 21.47% (2016: 24.48%)

	2017	2016
	(Rupees in '000)	
Opening balance	5,375,158	5,456,165
Share of profit for the year before tax	426,892	927,454
Dividend from associate	(302,497)	(273,641)
Share of tax	(119,142)	(170,861)
	5,253	482,952
Share of other comprehensive income	(335,698)	52,213
Disposal during the year	(659,111)	(616,172)
Closing balance	4,385,602	5,375,158
Share of other comprehensive income		
Share of unrealized surplus on assets -net of tax	(329,756)	51,160
Share of exchange translation reserve of associate	(5,942)	1,053
	(335,698)	52,213

- 9.9** Investment of the Group in Euronet Pakistan Private Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

Investment in Euronet Pakistan Private Limited under equity method - holding 30%

	2017	2016
	(Rupees in '000)	
Opening balance	72,357	64,962
Share of profit for the year before tax	6,227	19,320
Share of tax	(7,947)	(11,925)
	(1,720)	7,395
Closing balance	70,637	72,357

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

- 9.11** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

Notes to and forming part of the Consolidated Financial Statements

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	Note	2017	2016
		(Rupees in '000)	
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		463,689,530	336,403,574
Outside Pakistan		24,537,474	18,046,526
		<u>488,227,004</u>	<u>354,450,100</u>
Islamic financing and related assets	10.1.3	31,474,154	16,174,001
Net investment in finance lease	10.2		
In Pakistan		4,176,737	1,812,760
Outside Pakistan		525,309	537,731
		<u>4,702,046</u>	<u>2,350,491</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		7,197,552	5,768,909
Payable outside Pakistan		15,070,945	5,426,101
		<u>22,268,497</u>	<u>11,195,010</u>
Advances - gross		546,671,701	384,169,602
Provision against advances	10.4		
Specific provision		(44,587,644)	(18,939,120)
General provision		(504,172)	(367,926)
General provision against consumer loans & small enterprise loans		(533,795)	(345,791)
General provision by overseas operations		(80,289)	(46,477)
		<u>(45,705,900)</u>	<u>(19,699,314)</u>
Advances - net of provision		<u>500,965,801</u>	<u>364,470,288</u>
10.1 Particulars of advances (gross)			
10.1.1 In local currency			
In local currency		497,328,744	344,711,305
In foreign currencies		49,342,957	39,458,297
		<u>546,671,701</u>	<u>384,169,602</u>
10.1.2 Short-term			
Short-term		365,144,920	252,782,863
Long-term		181,526,781	131,386,739
		<u>546,671,701</u>	<u>384,169,602</u>
10.1.3 Islamic Financing and related assets			
Murabaha financing		5,078,311	2,719,939
Inventory held under Murabaha		4,513,090	4,987,296
Advances against Murabaha		421,318	804,071
Murabaha under Islamic Export Refinance Scheme		101,575	87,003
Advances against Murabaha under Islamic Export Refinance Scheme		-	299,650
Diminishing Musharaka		8,903,262	4,392,900
Advances against Diminishing Musharaka		1,248,246	1,222,733
Running Musharaka financing		8,009,283	-
Running Musharaka financing under Islamic Export Refinance Scheme		806,700	-
Net book value of assets in Ijarah under IFAS 2		1,484,260	1,243,897
Advances against Ijarah		139,249	42,508
Advances against Istisna under Islamic Export Refinance Scheme		100,000	-
Staff finance		668,860	374,004
		<u>31,474,154</u>	<u>16,174,001</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

10.2 Net investment in finance lease

	2017				2016			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
(Rupees in '000)								
Lease rentals receivable	386,574	2,142,165	2,789,791	5,318,530	397,707	1,188,855	1,291,080	2,877,642
Guaranteed residual value	17,779	35,590	4,837	58,206	16,864	27,402	3,724	47,990
Minimum lease payments	404,353	2,177,755	2,794,628	5,376,736	414,571	1,216,257	1,294,804	2,925,632
Finance charge for future periods	(88,716)	(177,054)	(408,920)	(674,690)	(93,564)	(158,662)	(322,915)	(575,141)
Present value of minimum lease payments	315,637	2,000,701	2,385,708	4,702,046	321,007	1,057,595	971,889	2,350,491

10.3 Advances include Rs. 48,753.349 million (2016: Rs. 21,689.279 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2017								
		Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)										
Other Assets Especially										
Mentioned (OAEM)	10.3.1	171,209	-	171,209	9,934	-	9,934	9,934	-	9,934
Substandard		396,984	154,987	551,971	98,475	38,747	137,222	98,475	38,747	137,222
Doubtful		218,714	344,151	562,865	109,357	172,075	281,432	109,357	172,075	281,432
Loss		41,870,001	5,597,303	47,467,304	41,114,522	3,044,534	44,159,056	41,114,522	3,044,534	44,159,056
		42,656,908	6,096,441	48,753,349	41,332,288	3,255,356	44,587,644	41,332,288	3,255,356	44,587,644
(Rupees in '000)										
2016										
Category of Classification	Note	Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
		(Rupees in '000)								
Other Assets Especially										
Mentioned (OAEM)	10.3.1	31,918	-	31,918	1,617	-	1,617	1,617	-	1,617
Substandard		72,424	2,487	74,911	17,898	622	18,520	17,898	622	18,520
Doubtful		307,754	55,532	363,286	153,877	27,766	181,643	153,877	27,766	181,643
Loss		15,927,379	5,291,785	21,219,164	15,927,379	2,809,961	18,737,340	15,927,379	2,809,961	18,737,340
		16,339,475	5,349,804	21,689,279	16,100,771	2,838,349	18,939,120	16,100,771	2,838,349	18,939,120

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.

10.3.2 Exposure amounting to Rs. 5,452 million relating to Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan has not been classified as non performing, in accordance with a relaxation given by the SBP. However, unrealized markup income has been suspended on this amount.

10.3.3 Classified portfolio amounting to Rs. 29,649.756 million have been transferred from NIB Bank Limited under merger scheme.

Notes to and forming part of the Consolidated Financial Statements

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		2017				
Note	Specific	General	General provision consumer & SEs loans	General provision Overseas Operations	Total	
(Rupees in '000)						
10.4	Particulars of provision against advances					
	Opening balance	18,939,120	367,926	345,791	46,477	19,699,314
	Transfer from NIB under merger	28,769,002	-	178,878	-	28,947,880
	Exchange adjustments	101,986	-	-	1,753	103,739
	Provision made during the year	3,162,762	136,246	9,126	32,059	3,340,193
10.4.3	Reversals during the year	(6,234,695)	-	-	-	(6,234,695)
		(3,071,933)	136,246	9,126	32,059	(2,894,502)
10.5.1	Amounts written off	(150,531)	-	-	-	(150,531)
	Closing balance	44,587,644	504,172	533,795	80,289	45,705,900

		2016				
Note	Specific	General	General provision consumer & SEs loans	General provision Overseas Operations	Total	
(Rupees in '000)						
	Opening balance	17,848,909	332,614	284,400	38,412	18,504,335
	Exchange adjustments	(3,230)	-	-	(1,715)	(4,945)
	Provision made during the year	3,495,008	129,387	61,391	9,780	3,695,566
	Reversals during the year	(2,396,599)	(94,075)	-	-	(2,490,674)
		1,098,409	35,312	61,391	9,780	1,204,892
10.5.1	Amounts written off	(4,968)	-	-	-	(4,968)
	Closing balance	18,939,120	367,926	345,791	46,477	19,699,314

		2017			2016		
	Specific	General	Total	Specific	General	Total	
(Rupees in '000)							
10.4.1	Particulars of provisions against advances						
	In local currency	41,332,288	1,037,967	42,370,255	16,100,771	713,717	16,814,488
	In foreign currencies	3,255,356	80,289	3,335,645	2,838,349	46,477	2,884,826
		44,587,644	1,118,256	45,705,900	18,939,120	760,194	19,699,314

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

10.4.2 The following amounts have been charged to the profit and loss account:

	Note	2017	2016
(Rupees in '000)			
Specific provision		(3,071,933)	1,098,409
General provision	10.4.4	136,246	35,312
General provision against Consumer & Small Enterprise loans	10.4.6	9,126	61,391
General provision by overseas operations	10.4.7	32,059	9,780
		<u>(2,894,502)</u>	<u>1,204,892</u>

10.4.3 This includes reversal of provisions and reduction of non-performing loans amounting to Rs. 164 Million as a result of settlement to debt asset swap arrangement with customers.

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

10.4.5 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.

10.4.6 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.

10.4.7 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.

	Note	2017	2016
(Rupees in '000)			
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.4	150,531	4,968
Directly charged to the profit and loss account		14	18
		<u>150,545</u>	<u>4,986</u>
10.5.2 Write offs of Rs. 500,000 and above	10.5.3	150,336	701
Write offs of below Rs. 500,000		209	4,285
		<u>150,545</u>	<u>4,986</u>

10.5.3 Details of loan write offs of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2017 is given at Annexure- II of unconsolidated financial statements. However, this write off does not affect the Bank's right to recover the debts from these customers.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016	
(Rupees in '000)				
10.6	Particulars of advances to directors, executives, associated companies, etc.			
	Debts due by executives or officers of the Group or any of them either severally or jointly with any other persons			
	Balance at beginning of the year	4,254,276	3,618,890	
	Loans granted during the year	2,377,319	1,541,837	
	Loans transferred under merger	1,944,004	-	
	Repayments	(1,291,919)	(906,451)	
	Balance at end of the year	7,283,680	4,254,276	
	Debts due by controlled firms, managed modarabas and other related parties			
	Balance at beginning of the year	936,812	542,593	
	Loans granted during the year	4,788,988	2,850,674	
	Repayments	(3,075,631)	(2,456,455)	
	Balance at end of the year	2,650,169	936,812	
		9,933,849	5,191,088	
11.	OPERATING FIXED ASSETS			
	Capital work-in-progress	11.1	1,159,870	1,744,090
	Property and equipment	11.2	40,232,017	32,747,037
	Intangible asset	11.3	1,173,561	734,738
			42,565,448	35,225,865
11.1	Capital work-in-progress			
	Civil works		544,588	259,585
	Advances to suppliers and contractors		576,832	1,325,846
	Others		38,450	158,659
			1,159,870	1,744,090

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

11.2 Property and equipment

2017

Description	Note	Cost/Revalued amount					Accumulated depreciation					Annual rate of depreciation / estimated useful life		
		At January 01, 2017	Additions/ (deletions) / exchange and other adjustments	Write off	Revaluation Surplus	Adjustment due to Merger scheme	At December 31, 2017	At January 01, 2017	Charge for the year / (depreciation on deletions) exchange and other adjustments	Write off	Adjustment due to Merger scheme		At December 31, 2017	Net book value at December 31, 2017
(Rupees in '000)														
Land - Freehold		17,412,390	1,433,991	-	11,072	794,449	19,651,902	-	-	-	-	19,651,902	-	
Land - Leasehold	11.2.1	309,941	-	-	-	2,082,925	2,392,866	-	-	-	-	2,392,866	-	
Buildings on freehold land		10,104,984	743,537	-	1,868	746,244	11,598,762	9,687	296,083	-	237,945	543,788	11,054,974	upto 70 years
			2,129						73					
Buildings on leasehold land		140,221	15,434	-	-	303,499	460,136	-	11,575	-	84,765	96,357	363,779	upto 50 years
			982						17					
Leasehold Improvements (rented premises)		973,508	261,549	-	-	-	702,531	719,076	122,738	-	-	304,818	397,713	3 years
			(542,316)						(542,316)					
			9,790						5,320					
Furniture and fixture		1,285,143	241,361	(31,711)	-	253,795	1,734,672	770,272	117,838	(31,706)	181,489	1,021,937	712,735	10%
			(16,100)						(15,630)					
			2,184						(326)					
Electrical, Computers and office Equipment		11,431,857	2,354,575	(726,190)	-	1,794,082	14,673,873	7,918,313	1,171,472	(726,182)	1,406,041	9,594,418	5,079,455	10% to 25%
			(188,631)						(184,210)					
			8,180						8,984					
Vehicles		969,580	222,705	-	-	13,395	1,160,908	463,239	138,760	-	12,159	582,315	578,593	20%
			(48,805)						(35,256)					
			4,033						3,413					
		42,627,624	5,273,152	(757,901)	12,940	5,988,389	52,375,650	9,880,587	1,858,466	(757,888)	1,922,399	12,143,633	40,232,017	
			(795,852)						(777,412)					
			27,298						17,481					

11.2.1 This includes a plot of land having book value of Rs. 1,092.161 million situated in Railway Quarters, I.I. Chundrigar Road, Karachi, (the "Plot"), where a tenant is claiming for the possession as tenant of an insignificant area of only 18 square feet of the plot measuring 3,120.46 square yards, however there is no issue over the title of the subject property. Both the Constitutional Petitions filed by the Group have been dismissed by the Sindh High Court on 28 January 2016 against the Group. The Group has filed an appeal before the Supreme Court of Pakistan.

11.2 Property and equipment

2016

Description	Cost/Revalued amount					Accumulated depreciation					Annual rate of depreciation / estimated useful life
	At January 01, 2016	Additions/ (deletions) / exchange and other adjustments	Surplus on revaluation (disposal)	Adjustment due to revaluation	At December 31, 2016	At January 01, 2016	Charge for the year / (depreciation on deletions) exchange and other adjustments	Adjustment due to revaluation	At December 31, 2016	Net book value at December 31, 2016	
(Rupees in '000)											
Land - Freehold	15,068,292	1,366,661	1,461,977	-	17,412,390	-	-	-	-	17,412,390	-
		(495,307)	(70,273)								
		81,040									
Land - Leasehold	297,526	-	12,515	-	309,941	-	-	-	-	309,941	-
		(100)									
Buildings on freehold land	9,737,452	727,275	610,283	(749,546)	10,104,984	481,903	299,846	(749,546)	9,687	10,095,297	upto 70 years
		(96,817)	(40,229)				(22,361)				
		(83,434)	-				(155)				
Buildings on leasehold land	106,705	23,763	22,485	(12,711)	140,221	6,924	5,791	(12,711)	-	140,221	upto 50 years
		(21)	-				-				
							(4)				
Leasehold Improvements (rented premises)	814,556	164,141	-	-	973,508	624,063	97,534	-	719,076	254,432	3 years
		(2,870)					(1,414)				
		(2,319)					(1,107)				
Furniture and fixture	1,217,690	102,701	-	-	1,285,143	698,921	101,808	-	770,272	514,871	10%
		(33,780)					(29,539)				
		(1,468)					(918)				
Electrical, Computers and office Equipment	10,641,318	1,171,315	-	-	11,431,857	7,280,585	1,008,539	-	7,918,313	3,513,544	10% to 25%
		(371,881)					(367,032)				
		(8,895)					(3,779)				
Vehicles	1,043,090	50,031	-	-	969,580	434,759	124,898	-	463,239	506,341	20%
		(119,127)					(95,587)				
		(4,414)					(831)				
		3,605,887	2,107,260	(762,257)	42,627,624	9,527,155	1,638,416	(762,257)	9,880,587	32,747,037	
		(1,119,782)	(110,502)	-			(515,933)				
		(19,611)	-	-			(6,794)				

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

11.2.2 The land and buildings of the Group were revalued as at December 31, 2016 by independent valuers (Arch-e-Decon, Tristar International Consultant (Pvt) Limited & Sardar Enterprises), valuation and engineering consultants, on the basis of market value. The total surplus against revaluation of fixed assets as at December 31, 2017 amounts to Rs. 13,871.643 million.

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2017 would have been as follows:

	(Rupees in '000)
Land	11,201,680
Buildings	8,390,198

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

	(Rupees in '000)
Furniture and fixture	460,690
Electrical, computers and office equipment	5,780,237
Vehicles	261,597
Leasehold Improvements	31,233
Intangible asset	2,221,976

11.2.4 Carrying amount of temporarily idle property of the Bank is Rs. 1,906 million (2016: Rs. 85 million)

11.2.5 Details of disposal of operating fixed assets

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

11.3 Intangible asset

Description	2017							
	Cost			Accumulated amortization			Net Book value at December 31, 2017	Useful Life
	At January 01 2017	Additions / (write off) / (adjustments)	At December 31, 2017	At January 01, 2017	Amortization for the year/ (write off) / (adjustments)	At December 31, 2017		
(Rupees in '000)								
Computer software	3,217,607	717,113 (146,004) 3,015	3,791,731	2,756,996	278,366 (146,004) 2,939	2,892,297	899,434	3 - 7 years
Goodwill	82,127	-	82,127	-	-	-	82,127	
Management rights	192,000	-	192,000	-	-	-	192,000	
	3,491,734	717,113 (146,004) 3,015	4,065,858	2,756,996	278,366 (146,004) 2,939	2,892,297	1,173,561	
Description	2016							
	Cost			Accumulated amortization			Net Book value at December 31, 2016	Useful Life
	At January 01 2016	Additions / (write off) / (adjustments)	At December 31, 2016	At January 01, 2016	Amortization for the year/ (write off) / (adjustments)	At December 31, 2016		
(Rupees in '000)								
Computer software	3,103,849	116,167 -	3,217,607	2,373,489	385,749 -	2,756,996	460,611	3 - 7 years
Goodwill	82,127	-	82,127	-	-	-	82,127	
Management rights	192,000	-	192,000	-	-	-	192,000	
	3,377,976	116,167 -	3,491,734	2,373,489	385,749 -	2,756,996	734,738	
		(2,409)			(2,242)			

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
12. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency		13,734,873	12,486,306
Income / mark-up accrued on advances and investments - foreign currencies		319,995	209,352
Accrued income, advances, deposits and other prepayments		2,199,223	2,204,545
Advance taxation (payments less provisions)		13,758,353	6,301,446
Compensation for delayed income tax refunds		239,947	239,947
Branch adjustment account		210,802	52,230
Non-banking assets acquired in satisfaction of claims	12.1	4,310,611	1,203,360
Unrealised gain on derivative financial instruments	12.2	2,904,951	496,032
Stationery and stamps on hand		64,721	69,499
Prepaid exchange risk fee		323	325
Receivable from the pension fund	36.3	5,990,536	7,773,482
Others		7,026,105	5,007,815
		50,760,440	36,044,339
Less: Provision held against other assets	12.3	3,016,793	1,564,036
		47,743,647	34,480,303

12.1 These assets are stated at revalued amount in accordance with accounting policy mentioned in note 5.14.

12.2 Unrealized gain on derivative financial instruments

	Contract / Notional amount		Unrealized gain	
	2017	2016	2017	2016
(Rupees in '000)				
Unrealised gain on:				
FX Options	865,718	1,034,994	12,960	15,685
Cross Currency Swaps	1,510,582	675,193	25,609	30,882
Forward exchange contracts	83,580,931	48,852,621	2,866,382	449,465
	85,957,231	50,562,808	2,904,951	496,032

12.3 Provision held against other assets

	2017	2016
(Rupees in '000)		
Opening balance	1,564,036	1,294,811
Charge for the year	562,828	325,515
Reversal during the year	-	(54,364)
	562,828	271,151
Transfer from NIB under Merger	916,248	-
Write off	(9,448)	(1,213)
Exchange and other adjustments	(16,871)	(713)
Closing balance	3,016,793	1,564,036

13. CONTINGENT ASSETS

There were no contingent assets of the Group as at December 31, 2017 (2016: NIL).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
14. BILLS PAYABLE			
In Pakistan		22,952,467	13,209,445
Outside Pakistan		42,410	81,883
		<u>22,994,877</u>	<u>13,291,328</u>
15. BORROWINGS			
In Pakistan		134,348,131	72,962,270
Outside Pakistan		6,114,007	4,476,723
		<u>140,462,138</u>	<u>77,438,993</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		134,348,131	72,962,270
In foreign currencies		6,114,007	4,476,723
		<u>140,462,138</u>	<u>77,438,993</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	15.3	25,683,299	12,921,066
Long term financing facility	15.4	12,797,076	5,841,088
Refinance Facility for modernization of SME	15.3	100,866	-
Renewable energy performance platform		3,680	-
Financing Facility for Storage of Agricultural Produce	15.5	254,045	318,490
		<u>38,838,966</u>	<u>19,080,644</u>
Repurchase agreement borrowings	15.6	88,849,251	38,984,230
		<u>127,688,217</u>	<u>58,064,874</u>
Unsecured			
Borrowings from other financial institution	15.7	8,259,274	3,730,480
Call borrowings	15.8	3,285,818	15,487,782
Foreign borrowings payable in local currency		162,286	-
Overdrawn nostro accounts		1,066,543	155,857
		<u>12,773,921</u>	<u>19,374,119</u>
		<u>140,462,138</u>	<u>77,438,993</u>

15.3 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.

15.4 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 3.0% to 4.50% per annum.

15.5 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.

15.6 These carry mark-up rates ranging from 5.65% to 9.02% per annum (2016: 5.50% to 10.50% per annum) and are secured against government securities of carrying value of Rs. 88,911.185 million (2016: Rs. 38,991.212 million). These are repayable latest by June 2018.

15.7 These carry mark-up ranging from 1.60% to 18.00% per annum (2016: 1.50% to 12.70% per annum).

15.8 These carry mark-up ranging from 0.75% to 5.70% per annum (2016: 1% to 5.70% per annum). These are repayable by June 2018.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

16. DEPOSITS AND OTHER ACCOUNTS

	2017	2016
	(Rupees in '000)	
Customers		
Fixed deposits	71,555,175	49,292,487
Saving deposits	527,071,726	432,501,128
Current accounts	365,274,018	287,172,315
Margin accounts	10,115,015	7,003,787
	<u>974,015,934</u>	<u>775,969,717</u>
Financial institutions		
Remunerative deposits	16,534,020	12,657,796
Non-remunerative deposits	10,596,208	7,062,033
	<u>27,130,228</u>	<u>19,719,829</u>
	<u>1,001,146,162</u>	<u>795,689,546</u>
16.1 Particulars of deposits		
In local currency	924,245,779	744,307,725
In foreign currencies	76,300,383	51,381,821
	<u>1,001,146,162</u>	<u>795,689,546</u>

16.2 Deposits include deposits from related parties amounting to Rs. 11,087.475 million (2016: Rs. 11,246.638 million).

17. SUB-ORDINATED LOANS

	2017	2016
	(Rupees in '000)	
Term Finance Certificates - Listed, Unsecured	3,892,578	-
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"))	
Security	The TFCs are unsecured and subordinated to all other indebtedness of the Bank including deposits	
Issue Date	June 19, 2014	
Issue Amount	Rs. 4,198.035 million	
Rating	AAA (triple A)	
Tenor	8 years from the Issue Date	
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.	
Maturity	June 19, 2022	
Call Option	The Bank may call the TFCs, in part or full, on any profit payment date from the 60th month from the last day of public subscription and on all subsequent profit payment dates, subject to the SBP approval and not less than forty five days prior notice being given to the Trustee and the Investors.	
Lock-in- Clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Banks' Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR and CAR. In case the lock-in clause goes into effect, the Bank will be required to comply with the SBP instructions prevalent or issued at the time.	
Loss Absorbency Clause	The TFCs will be subject to loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

18. DEFERRED TAX LIABILITY / (ASSET) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

	Note	2017	2016
(Rupees in '000)			
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	22.1	1,051,507	1,080,165
Surplus on revaluation of Non-banking assets		75,273	76,111
Accelerated tax depreciation		1,704,905	1,511,887
Receivable from pension fund		2,096,688	2,720,719
Business combination		705,218	-
Investments in associated undertaking		1,291,483	1,563,003
Surplus / deficit on revaluation of securities	22.2	2,260,717	6,005,556
		9,185,791	12,957,441
Deductible temporary differences on:			
Provision for bad debts		(3,282,517)	(7,048)
Taxable losses		(209,657)	(34,142)
Provision for post retirement benefits		(201)	(7,945)
Others		(32,343)	(18,657)
		(3,524,718)	(67,792)
		5,661,073	12,889,649

19. OTHER LIABILITIES

	Note	2017	2016
(Rupees in '000)			
Mark-up / return / interest payable in local currency		7,810,866	6,342,889
Mark-up / return / interest payable in foreign currencies		302,603	159,161
Accrued expenses		5,866,723	4,491,740
Workers' Welfare Fund	19.1	6,454,782	5,644,763
Dividend payable including unclaimed		2,604,551	1,421,499
Staff welfare fund		5,661	5,628
Unrealised loss on derivative financial instruments	19.2	2,366,606	396,113
Provision for employees' compensated absences	36.3	1,145,135	1,053,870
Provision for post retirement medical benefits	36.3	2,140,300	2,104,444
Provision for employees' contributory benevolent scheme	36.3	248,518	209,352
Provision for gratuity		653	1,574
Security deposits		822,781	366,406
Retention money		33,649	18,076
Insurance payable against consumer assets		659,374	450,012
Unclaimed balances		1,361,906	1,103,285
Duties and taxes payable		1,030,010	496,442
Provision against Off Balance Sheet Items		37,430	-
Others		9,838,993	7,155,396
		42,730,541	31,420,650

19.1 During last year, the Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Group maintained its provision in respect of WWF and shall revisit the position on periodic basis.

Notes to and forming part of the Consolidated Financial Statements

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19.2 Unrealized loss on derivative financial instruments

	Contract / Notional amount		Unrealized loss	
	2017	2016	2017	2016
	(Rupees in '000)			
Unrealised loss on:				
FX Options	865,718	1,034,994	12,960	15,685
Cross Currency Swaps	1,721,562	675,193	10,408	22,599
Interest Rate Swaps	316,500	-	4,708	-
Forward exchange contracts	77,616,456	49,900,708	2,338,530	357,829
	<u>80,520,236</u>	<u>51,610,895</u>	<u>2,366,606</u>	<u>396,113</u>

20. SHARE CAPITAL

20.1 Authorised Capital

2017	2016		2017	2016
(Number of shares)			(Rupees in '000)	
1,500,000,000	1,500,000,000	Ordinary shares of Rs 10 each	15,000,000	15,000,000

20.2 Issued, subscribed and paid-up capital

2017	2016		2017	2016
(Number of shares)			(Rupees in '000)	
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	-	issued under merger scheme	720,293	-
<u>1,185,060,006</u>	<u>1,113,030,748</u>	Ordinary shares of Rs 10 each	<u>11,850,600</u>	<u>11,130,307</u>

20.2.1 The movement in the issued, subscribed and paid-up capital during the year was as follows:

2017	2016		2017	2016
(Number of shares)			(Rupees in '000)	
1,113,030,748	1,113,030,748	Opening balance at January 1	11,130,307	11,130,307
72,029,258	-	Shares issued under merger scheme	720,293	-
<u>1,185,060,006</u>	<u>1,113,030,748</u>	Closing balance at December 31	<u>11,850,600</u>	<u>11,130,307</u>

20.3 Number of shares held by the associated undertakings as at December 31, are as follows:

	2017	2016
	(Number of shares)	
Adamjee Insurance Company Limited	47,159,787	42,945,187
Nishat Mills Limited	88,015,291	85,339,091
Din Leather (Private) Limited	6,789,633	6,936,333
Siddiqsons Limited	14,276,462	14,276,462
Mayban International Trust (Labuan) Berhad	222,606,147	222,606,147
	<u>378,847,320</u>	<u>372,103,220</u>

21. RESERVES

	Note	2017	2016
		(Rupees in '000)	
Share premium		23,973,024	9,924,438
Non- distributable capital reserve - gain on bargain purchase option	20.1	908,317	-
Exchange translation reserve		397,079	84,593
Statutory reserve	21.2	27,149,492	24,903,602
General reserve		18,600,000	18,600,000
		<u>71,027,912</u>	<u>53,512,633</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

21.1 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 has not been taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 has 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.

21.2 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

	Note	2017	2016
(Rupees in '000)			
22. SURPLUS ON REVALUATION OF ASSETS- NET OF TAX			
Surplus arising on revaluation (net of tax) of:			
- fixed assets	22.1	12,820,136	12,862,286
- available-for-sale securities	22.2	4,459,355	11,506,875
- Non-banking assets		139,792	141,349
- Associated undertaking		443,561	788,276
		<u>17,862,844</u>	<u>25,298,786</u>
22.1 Surplus on revaluation of fixed assets-net of tax			
Surplus on revaluation of fixed assets as at January 01		13,942,451	12,020,517
Surplus during the year		12,940	2,107,260
Surplus realised on disposal of revalued properties - net of deferred tax		-	(88,550)
Related deferred tax liability		-	(21,952)
		-	(110,502)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(54,436)	(48,636)
Related deferred tax liability		(29,312)	(26,188)
		<u>(83,748)</u>	<u>(74,824)</u>
Surplus on revaluation of fixed assets as at December 31		13,871,643	13,942,451
Less: Related deferred tax liability on:			
Revaluation as at January 01		1,080,165	906,836
Surplus during the year		654	221,469
Disposal of revalued properties during the year transferred to profit and loss account		-	(21,952)
Incremental depreciation charged during the year transferred to profit and loss account		(29,312)	(26,188)
		<u>1,051,507</u>	<u>1,080,165</u>
		<u>12,820,136</u>	<u>12,862,286</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
22.2 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		(93,182)	(67,299)
- Pakistan Investment Bonds		5,990,602	12,900,940
- Shares / Certificates / Units		541,178	4,263,461
- Open Ended Mutual Funds / NIT		234,573	384,000
- Investment in REIT		-	(2,064)
- Term Finance Certificates		(2,599)	3,491
		773,152	4,648,888
Sukuk Bonds		49,500	29,902
		6,720,072	17,512,431
Related deferred tax liability	18	(2,260,717)	(6,005,556)
		4,459,355	11,506,875

22.2.1 This includes balance of Rs. 126.751 million (2016: 180.828 million) relating to non-controlling interest.

23. CONTINGENCIES AND COMMITMENTS

	2017	2016
(Rupees in '000)		
23.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring		
Government	75,282,524	28,098,810
Banks and financial institutions	5,345,816	3,848,002
Others	6,960,826	2,010,891
	87,589,166	33,957,703
23.2 Transaction-related contingent liabilities		
Guarantees in favour of		
Government	28,536,667	16,486,907
Banks and financial institutions	80,377	60,034
Others	16,788,987	12,671,980
Suppliers' credit / payee guarantee	1,992,913	1,930,979
	47,398,944	31,149,900
23.3 Trade-related contingent liabilities	149,495,964	131,203,542
23.4 Other contingencies		
Claims against the Bank not acknowledged as debts	5,938,071	7,345,639

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.

23.5 Commitments to extend credit

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.

23.6 Commitments in respect of forward foreign exchange contracts

	Note	2017	2016
(Rupees in '000)			
Purchase		85,637,860	49,411,339
Sale		75,559,527	49,341,990
23.7 Commitments for the acquisition of fixed assets		150,868	651,060
23.8 Other commitments			
FX options (notional amount)	24.1 & 24.2		
Purchase		865,718	1,034,994
Sale		865,718	1,034,994
Cross Currency Swaps (Notional)		3,232,144	1,350,386
Interest Rate Swaps (Notional)		316,500	-
Forward repurchase agreement borrowings		-	1,000,000
Forward call borrowings		-	400,000
Outright purchase of Government Securities		7,000,000	200,850

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

23.9 Taxation

For assessment year 1988-89 through tax year 2016, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 3,656 million (2016: Rs. 2,873 million) which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

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

Ex-NIB Bank Limited status:

The income tax returns of Ex-NIB Bank Limited have been filed up to and including tax year 2017 relevant to the financial year ended December 31, 2016. The tax authorities have made certain disallowances pertaining to tax years 2003 through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC), from tax years 2004 through 2008 for Ex-PICIC Commercial Bank Limited (Ex-PCBL), tax years 2003 and 2004 for Ex-National Development Leasing Corporation Limited (Ex-NDLC) and from tax years 2004 through 2008 for NIB Bank Limited. During the year ended 2013, a combined Appellate Order for Ex-PICIC pertaining to tax years 2003 through 2007 was issued by Commissioner Inland Revenue (Appeals) – CIR(A) in which the aforementioned expenses were allowed. However, the tax authorities have filed appeal with Income Tax Appellate Tribunal (ITAT) against above combined Appellate Order. Furthermore, tax authorities have also made certain disallowances in respect of tax years 2009, 2010, 2011, 2012, 2013, 2014, 2015 & 2016 which are pending at various appellate forums.

24. DERIVATIVE INSTRUMENTS

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. In the absence of suitable derivative products, such 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.

Other Objectives include:

- For MCB bank to contribute to the development of Pakistani financial markets.
- For MCB bank to stand true to its promise of providing innovative financial solutions and complete suite of financial products to its esteemed clientele.

Risk management is performed at:

- a) 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.
- b) Macro Level: By Treasury and FX Group and Risk Management Group, responsible for policy formulation, procedure development and implementation, monitoring and reporting.
- c) Micro Level: Treasury Derivatives and Structured Product Desk where risks are actually created and Treasury Operations for settlements of the transactions.

Risk Management Group is responsible for coordinating for risk management of derivatives.

As an Authorized Derivatives Dealer, MCB has more flexibility in providing a broad range of derivatives solutions. The Bank has acquired a derivatives system providing front end sales and structuring capabilities, risk management systems and back end processing. Marked to market positions and sensitivity of the derivatives transactions are monitored on regular basis. As per the State Bank of Pakistan's (SBP) regulations, currency options are required to be hedged back to back with other financial institutions, therefore the Bank does not carry market risk on these transactions. However, it may choose to warehouse the market risk of interest rate and cross currency derivatives transactions.

Risk Limits

The Board of Directors has approved an overall derivatives business limit. All individual deals are approved at the appropriate level of authority after analyzing the risk and benefits associated with the deals.

Notes to and forming part of the Consolidated Financial Statements

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24.1 Product analysis

Counter parties	2017					
	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	5	1,510,582	1	316,500	40	865,718
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	6	1,721,562	-	-	40	865,718
Total						
Hedging	5	1,510,582	1	316,500	40	865,718
Market Making	6	1,721,562	-	-	40	865,718

Counter parties	2016					
	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	2	675,193	-	-	30	1,034,994
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	2	675,193	-	-	30	1,034,994
Total						
Hedging	2	675,193	-	-	30	1,034,994
Market Making	2	675,193	-	-	30	1,034,994

24.2 Maturity analysis

Remaining maturity	2017				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 month	24	682,674	(3,363)	3,363	-
Over 1 to 3 months	36	802,035	(6,538)	6,538	-
Over 3 to 6 months	20	246,728	(3,058)	3,058	-
Over 6 months to 1 year	2	415,206	(5,646)	6,451	805
Over 1 to 2 years	2	414,968	(558)	1,656	1,098
Over 2 to 3 years	8	2,718,469	(8,913)	17,503	8,590

Remaining maturity	2016				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
Upto 1 month	16	568,337	(9,926)	9,926	-
Over 1 to 3 months	28	797,854	(3,294)	3,294	-
Over 3 to 6 months	16	703,797	(2,465)	2,465	-
Over 1 to 2 year	2	415,206	(3,970)	5,483	1,513
Over 3 to 5 years	2	935,180	(18,629)	25,399	6,770

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

	2017	2016
	(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	28,585,588	24,029,630
On investments in:		
Held for trading securities	2,179,942	86,415
Available for sale securities	43,482,518	42,935,590
Held to maturity securities	1,575,819	1,531,649
	47,238,279	44,553,654
On deposits with financial institutions	210,464	311,579
On securities purchased under resale agreements	104,108	107,119
On money at call	51,361	12,108
	<u>76,189,800</u>	<u>69,014,090</u>
26. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	22,753,943	18,707,481
Securities sold under repurchase agreements	7,603,649	3,525,219
Other short-term borrowings	1,516,660	1,216,153
Subordinated loan	138,081	-
Discount, commission and brokerage	604,868	655,859
Others	32,413	62,628
	<u>32,649,614</u>	<u>24,167,340</u>
27. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	11,121	3,963
Pakistan Investment Bonds	862,958	3,688,179
Other securities	23,686	(1,222)
Others		
Shares and units - Listed	3,768,721	1,808,038
	<u>4,666,486</u>	<u>5,498,958</u>
28. OTHER INCOME		
Rent on property / lockers	275,667	277,590
Net profit on sale of property and equipment	19,955	83,172
Gain on sale of non banking assets - net	28.1 514	-
Bad debts recovered	191,136	33,753
Compensation on tax refunds	-	1,201
Postal, SWIFT and other charges recovered	144,081	142,209
Switch and outsourcing revenue	27,084	2,719
	<u>658,437</u>	<u>540,644</u>
28.1	This represents gain on sale of a non-banking asset.	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

	Note	2017	2016
(Rupees in '000)			
29. ADMINISTRATIVE EXPENSES			
Salaries and allowances		12,977,681	9,582,166
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	36.9	(571,586)	(516,462)
- Post retirement medical benefits	36.9	173,553	171,293
- Employees' contributory benevolent scheme	36.9	16,464	17,833
- Employees' compensated absences	36.9	237,072	228,691
- Gratuity scheme		334	341
		(144,163)	(98,304)
Contributions to defined contribution plan - provident fund		325,691	257,631
Non-executive directors' fees		38,692	35,432
Rent, taxes, insurance and electricity		3,754,059	2,886,739
Legal and professional charges		369,995	293,866
Communications		1,423,984	1,163,075
Repairs and maintenance		2,279,941	1,910,388
Stationery and printing		665,983	564,028
Advertisement and publicity		546,085	493,586
Cash transportation charges		702,269	598,730
Instrument clearing charges		150,855	127,658
Donations	29.1	11,817	12,700
Auditors' remuneration	29.2	52,086	34,482
Depreciation	11.2	1,858,466	1,638,416
Depreciation on Non-Banking Assets		29,947	29,216
Amortization of intangible assets	11.3	278,366	385,749
Travelling, conveyance and fuel		398,106	412,916
Subscription		36,509	38,349
Entertainment		256,537	199,836
Training expenses		67,567	56,965
Petty capital items		73,619	71,484
Card related expenses		527,723	414,809
Outsourced security guards, tea services and janitorial expenses etc		2,716,283	2,258,612
CNIC verification charges		107,363	76,456
Others		187,052	183,227
		<u>29,692,513</u>	<u>23,628,212</u>

29.1 Detail of donation made during the year is as follows:

	2017	2016
(Rupees in '000)		
Donations individually exceeding Rs.0.1 million		
Saleem Memorial Trust Hospital	5,000	-
SKMC Hospital & Research Center	1,500	1,376
Diabetic Association of Pakistan	1,000	-
The Indus Hospital	1,000	-
FRESH Foundation	767	-
Murshid Hospital & Charity Hospital Care Center	500	-
Rising Sun Education & Welfare Society	500	-
The Citizens Foundation	500	-
Pink Ribbon Hospital	500	1,484
Pakistan Association of the Blind	500	-
Children's Hospital Lahore	-	5,000
Govt Hospital Gwadar	-	1,000
Sri-Lanka Pakistan Friendship Association for rehabilitation of flood victims	-	715
The Institute of Chartered Accountants of Pakistan	-	2,000
Old Ravians Association Lahore	-	300
LUMS Entrepreneurial Society	-	300
Lahore Businessmen Association for Rehabilitation of the Disabled	-	400
Kinnaird Entrepreneurial Club	-	125
Donations individually not exceeding Rs.0.1 million	50	-
	<u>11,817</u>	<u>12,700</u>

29.1.1 None of the directors, executives or their spouses had any interest in the donees, except for Mr. Shahzad Saleem who is a director in Saleem Memorial Trust Hospital.

29.2 Auditors' remuneration

Annual Audit fee	14,450	13,000
Fee for audit and other certifications of overseas branches	12,354	9,219
Fee for audit of subsidiaries	5,603	5,431
Other certifications	14,953	4,240
Sales tax	1,707	1,297
Out-of-pocket expenses	3,019	1,295
	<u>52,086</u>	<u>34,482</u>

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	2017	2016
	(Rupees in '000)	
30. OTHER CHARGES		
Penalties of State Bank of Pakistan	1,719	4,168
Workers welfare fund	625,949	730,368
VAT and Crop Insurance Levy - Sri Lanka	113,868	76,538
Education cess	27,353	24,436
Loss on sale of assets	20	-
Fixed assets written off	13	-
Impairment / loss on sale of Non-banking assets	-	88,985
	<u>768,922</u>	<u>924,495</u>
31. TAXATION		
For the year		
Current	3,725,143	12,503,868
Deferred	6,880,293	177,995
	<u>10,605,436</u>	<u>12,681,863</u>
Prior years		
Current	(2,166,582)	1,682,063
Deferred	-	-
	<u>(2,166,582)</u>	<u>1,682,063</u>
Share of tax of associates	127,089	182,786
	<u>8,565,943</u>	<u>14,546,712</u>
31.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	30,613,707	36,720,857
	<u>35%</u>	<u>35%</u>
Tax rate		
Tax on income	10,714,797	12,852,300
Tax effect of permanent differences	602	1,459
Tax effect of prior years (reversals)/provisions	(2,166,582)	1,682,063
Others	17,126	10,890
Tax charge for the year	<u>8,565,943</u>	<u>14,546,712</u>
32. CREDIT RATING		
PACRA through its notification dated June 19, 2017 has maintained bank's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus].		
	2017	2016
	(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit attributable to equity shareholders of the Bank	21,963,146	22,062,988
	(Number of shares)	
Weighted average number of shares outstanding during the year	1,147,960,005	1,113,030,748
	(Rupees)	
Basic and diluted earnings per share - pre tax	19.13	19.82
33.1 The Bank issued 72,029,258 shares in pursuant to NIB Bank Limited amalgamation with and into MCB Bank Limited.		
	Note	2017
	(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	6	109,462,902
Balances with other banks	7	7,348,882
Overdrawn nostro accounts	15	(1,066,543)
		<u>115,745,241</u>
		<u>82,777,787</u>

Notes to and forming part of the Consolidated Financial Statements

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34.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities					Equity				Total
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated loan	Other liabilities	Share Capital	Reserves	Unap-proriated profit	Non-controlling interest	
	(Rupees in '000)									
Balance as at January 01, 2017	13,291,328	77,438,993	795,689,546	-	31,420,650	11,130,307	53,512,633	55,509,013	509,331	1,038,501,801
Changes from Financing cash flows										
Redemption of Subordinated loan	-	-	-	(779)	-	-	-	-	-	(779)
Dividend paid	-	-	-	-	-	-	-	(17,315,565)	-	(17,315,565)
Total changes from financing cash flows	-	-	-	(779)	-	-	-	(17,315,565)	-	(17,316,344)
Changes arising from business combination	2,938,190	24,278,649	81,740,844	4,192,997	4,495,374	720,293	14,956,903	-	-	133,323,250
Cancellation of Sub-ordinated loan on merger	-	-	-	(299,640)	-	-	-	-	-	(299,640)
Liability related										
Changes in bills payable	6,765,359	-	-	-	-	-	-	-	-	6,765,359
Changes in borrowings	-	38,744,496	-	-	-	-	-	-	-	38,744,496
Changes in Deposits and other accounts	-	-	123,715,772	-	-	-	-	-	-	123,715,772
Changes in Other liabilities	-	-	-	-	-	-	-	-	-	-
- Cash based	-	-	-	-	4,820,500	-	-	-	-	4,820,500
- Dividend payable	-	-	-	-	1,069,161	-	-	(1,069,161)	-	-
- Non cash based	-	-	-	-	924,856	-	-	-	-	924,856
Total liability related other changes	6,765,359	38,744,496	123,715,772	-	6,814,517	-	-	(1,069,161)	-	174,970,983
Total equity related other changes	-	-	-	-	-	-	2,558,376	18,196,938	(28,831)	20,726,483
Balance as at December 31, 2017	22,994,877	140,462,138	1,001,146,162	3,892,578	42,730,541	11,850,600	71,027,912	55,321,225	480,500	1,349,906,533

	Note	2017	2016
		(Numbers)	
35. STAFF STRENGTH			
Permanent		14,033	11,740
Temporary/contractual basis		343	185
Group's own staff strength at the end of the year		14,376	11,925
Outsourced	35.1	1,876	1,405
Total staff strength		16,252	13,330

35.1 This excludes outsourced security guards and tea services staff.

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

The Bank operates the following retirement benefits for its employees:

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

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

36.2 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2017. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2017	2016	2017	2016	2017	2016	2017	2016
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Valuation discount rate	8	8	8	8	8	8	8	8
Expected rate of return on plan assets	8	8	-	-	-	-	-	-
Salary increase rate	6.75	6.75	6.75	6.75	-	-	6.75	6.75
Medical cost inflation rate	-	-	-	-	6.5	5	-	-

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

36.3 Reconciliation of (Receivable from) / payable to defined benefit plans

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)									
Present value of defined benefit obligations	36.5	3,757,366	3,519,114	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870
Fair value of plan assets	36.6	(9,747,902)	(11,292,596)	-	-	-	-	-	-
Net (receivable) / payable		(5,990,536)	(7,773,482)	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870

36.4 Movement in (receivable from) / payable to defined benefits plans

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)									
Opening balance of (receivable) / payable		(7,773,482)	(5,656,386)	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818
(Reversal) / charge for the year	36.9	(571,586)	(516,462)	16,464	17,833	173,553	171,293	237,072	228,691
Employees' contribution		-	-	3,925	4,535	-	-	-	-
Benefits paid		-	-	(38,189)	(42,261)	(149,108)	(150,554)	(145,807)	(161,639)
Other comprehensive income		2,354,532	(1,600,634)	56,966	33,364	11,411	366,597	-	-
Closing balance of (receivable) / payable		(5,990,536)	(7,773,482)	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870

36.5 Reconciliation of the present value of the defined benefit obligations

	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences		
	2017	2016	2017	2016	2017	2016	2017	2016	
(Rupees in '000)									
Opening balance	3,519,114	3,507,849	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818	
Current service cost	50,292	49,177	5,168	4,893	11,162	7,110	32,366	138,091	
Interest cost	265,940	326,678	15,221	17,475	162,391	164,183	78,477	90,600	
Benefits paid	(389,734)	(482,130)	(38,189)	(42,261)	(149,108)	(150,554)	(145,807)	(161,639)	
Actuarial (gain) / losses									
- Loss from change in financial assumptions	-	-	-	41,666	-	278,335	-	-	
- Experience adjustment loss/(gain)	311,754	117,540	56,966	(8,302)	11,411	88,262	126,229	-	
	311,754	117,540	56,966	33,364	11,411	366,597	126,229	-	
Closing balance	3,757,366	3,519,114	248,518	209,352	2,140,300	2,104,444	1,145,135	1,053,870	

36.6 Reconciliation of fair value of plan assets

	Note	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)									
Opening balance		11,292,596	9,164,235	-	-	-	-	-	-
Expected return on plan assets		887,818	892,317	-	-	-	-	-	-
Benefits paid		(389,734)	(482,130)	-	-	-	-	-	-
Actuarial gain / (loss)		(2,042,778)	1,718,174	-	-	-	-	-	-
Closing balance	36.8	9,747,902	11,292,596	-	-	-	-	-	-

36.7 Actual return on plan assets

Actual return on plan assets		(1,154,960)	2,610,491	-	-	-	-	-	-
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Notes to and forming part of the Consolidated Financial Statements

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36.8 Composition of fair value of plan assets

	Approved Pension Fund			
	2017		2016	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Listed equity shares	9,154,391	93.91	10,814,996	95.77
Open ended mutual funds units	264,431	2.71	186,609	1.65
Term Finance certificates	-	0.00	101,034	0.90
Cash and bank balances	329,080	3.38	189,957	1.68
Fair value of plan total assets	9,747,902	100	11,292,596	100
36.8.1 Fair value of the Bank's financial instruments included in plan assets				
Shares of MCB	3,773,122		4,605,770	
Bank balance with MCB	329,080		189,957	
	4,102,202		4,795,727	

36.9 Charge for defined benefit plans

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

	Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)							
Current service cost	50,292	49,177	5,168	4,893	11,162	7,110	32,366	138,091
Interest cost	265,940	326,678	15,221	17,475	162,391	164,183	78,477	90,600
Actuarial loss	-	-	-	-	-	-	126,229	-
Expected return on plan assets	(887,818)	(892,317)	-	-	-	-	-	-
Employees' contribution	-	-	(3,925)	(4,535)	-	-	-	-
	(571,586)	(516,462)	16,464	17,833	173,553	171,293	237,072	228,691

36.10 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension fund as per actuarial's expected charge for 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. Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2018 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 year	(420,079)	54,781	221,588	113,157

36.11 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)			
Increase in discount Rate by 1 %	(278,150)	(14,397)	(240,853)	(75,655)
Decrease in discount Rate by 1 %	323,961	8,537	299,381	85,003
Increase in expected future increment in salary by 1%	98,197	-	-	85,213
Decrease in expected future increment in salary by 1%	(89,938)	-	-	(77,173)
Increase in Medical inflation rate by 1 %	-	-	225,752	-
Decrease in Medical inflation rate by 1 %	-	-	(192,274)	-

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36.12 Five year data of defined benefit plan and experience adjustments

36.12.1 Approved Pension Fund

	2017	2016	2015	2014	2013
	(Rupees in '000)				
Present value of defined benefit obligation	3,757,366	3,519,114	3,507,849	3,242,851	3,834,422
Fair value of plan assets	(9,747,902)	(11,292,596)	(9,164,235)	(10,506,105)	(9,688,629)
Surplus	(5,990,536)	(7,773,482)	(5,656,386)	(7,263,254)	(5,854,207)
Actuarial gain / (loss) on obligation	(311,754)	(117,540)	(246,503)	259,549	(83,090)
Actuarial gain / (loss) on assets	(2,042,778)	1,718,174	(2,136,268)	317,809	539,261

36.12.2 Employees' Contributory Benevolent Scheme

Present value of defined benefit obligation	248,518	209,352	195,881	179,409	213,438
Fair value of plan assets	-	-	-	-	-
	248,518	209,352	195,881	179,409	213,438
Actuarial gain / (loss) on obligation	(56,966)	(33,364)	(37,483)	(206)	4,974

36.12.3 Post Retirement Medical Benefits

Present value of defined benefit obligation	2,140,300	2,104,444	1,717,108	1,498,996	1,340,476
Fair value of plan assets	-	-	-	-	-
	2,140,300	2,104,444	1,717,108	1,498,996	1,340,476
Actuarial gain / (loss) on obligation	(11,411)	(366,597)	(194,623)	(189,018)	178,939

36.12.4 Compensated absences

Present value of defined benefit obligation	1,145,135	1,053,870	986,818	987,060	934,009
Fair value of plan assets	-	-	-	-	-
	1,145,135	1,053,870	986,818	987,060	934,009
Actuarial loss on obligation	(126,229)	-	(31,248)	(173,480)	(564,126)

37. DEFINED CONTRIBUTION PLAN

37.1 MCB Bank Limited (Holding company)

The Bank operates an approved contributory provident fund for 10,575 (2016: 8,144) employees where contributions are made by the Bank and employees at 8.33% per annum (2016: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs. 301.713 million (2016: Rs. 245.001 million) in respect of this fund.

The Bank also operates an approved non-contributory provident fund for 888 (2016: 958) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 12.50% per annum (2016: 8.33% to 12.5% per annum) of the basic salary.

37.2 MCB Islamic Bank Limited

The Bank operates an approved contributory provident fund for 596 (2016: 300) where permanent employees administered by the Board of Trustees for all of 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 12.5% but the Bank will still contribute 8.33% of the employee's basic salary.

37.3 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.

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38. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the consolidated financial statements for compensation, including all benefits, to the Chief Executive, Directors and Executives of the Bank is as follows:

	President / Chief Executive		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Fees	-	-	38,692	35,432	-	-
Managerial remuneration and bonus	73,667	68,973	-	-	3,411,092	2,653,590
Retirement benefits	2,866	2,654	-	-	149,933	123,064
Rent and house maintenance	15,476	14,330	-	-	817,609	615,908
Utilities	3,439	3,184	-	-	177,318	137,219
Medical	-	-	-	-	49,484	40,100
Conveyance	-	-	-	-	727,193	548,517
	95,448	89,141	38,692	35,432	5,332,629	4,118,398
Number of persons	1	1	13	15	1,904	1,432

- 38.1.** The Chairman has been provided with free use of the Group maintained car. In addition to the above, the Chief Executive and certain executives are provided with free use of the Group's maintained cars and household equipment in accordance with the terms of their employment.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the 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 is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5.4 to these financial statements.

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

In the opinion of the management, the fair value of the financial assets and financial liabilities other than those carried at fair value and disclosed in note 39.1 are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

- 39.1.** 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).

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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.

	Fair Value							
	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)								
On balance sheet financial instruments								
Financial assets measured at fair value								
Held for trading securities								
- Shares in listed companies	23,745	-	-	23,745	147,284	-	-	147,284
- Units in open ended mutual funds	393,473	-	-	393,473	358,419	-	-	358,419
- Market Treasury Bills	4,974	-	-	4,974	-	-	-	-
	422,192	-	-	422,192	505,703	-	-	505,703
Available-for-sale securities								
- Market Treasury Bills	-	384,269,158	-	384,269,158	-	296,652,703	-	296,652,703
- Pakistan Investment Bonds	-	205,771,813	-	205,771,813	-	204,586,538	-	204,586,538
- Shares in listed companies & REIT	20,490,214	-	-	20,490,214	22,391,711	-	-	22,391,711
- NIT units	7,805	-	-	7,805	9,682	-	-	9,682
- Units in open ended mutual funds	-	1,220,129	-	1,220,129	-	812,201	-	812,201
- Sukuks Bonds	-	7,541,665	-	7,541,665	-	3,556,411	-	3,556,411
- Term Finance Certificates (TFCs)	-	612,857	-	612,857	-	335,958	-	335,958
	20,498,019	599,415,622	-	619,913,641	22,401,393	505,943,811	-	528,345,204
Non-Financial Assets measured at fair value								
Operating fixed assets (land and buildings)	-	33,463,521	-	33,463,521	-	27,957,849	-	27,957,849
Non-banking assets	-	4,310,611	-	4,310,611	-	1,203,360	-	1,203,360
Off balance sheet financial instruments								
FX options purchase and sale	-	1,731,436	-	1,731,436	-	2,069,988	-	2,069,988
Cross currency swaps	-	3,247,345	-	3,247,345	-	1,358,669	-	1,358,669
Interest Rate Swaps	-	311,792	-	311,792	-	-	-	-
Foreign exchange contracts purchase and sale	-	161,725,239	-	161,725,239	-	98,844,965	-	98,844,965

The valuation techniques used for above assets are same as disclosed in note 5.2, 5.5 & 5.16.2 of these consolidated financial statements.

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 Sukuks Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options, Cross Currency Swaps and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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Valuation techniques and inputs used in determination of fair values within level 2

Item	Valuation techniques and input used
Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.
Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Government of Pakistan (GoP) - Ijarah Sukuks	Fair values of GoP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
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.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Inter segment/group elimination	Total
	(Rupees in '000)						
2017							
Total income	287,595	16,375,914	36,444,024	8,533,138	673,012	-	62,313,683
Total expenses	(99,802)	(6,761,014)	(22,551,586)	(1,878,314)	(409,260)	-	(31,699,976)
Income tax expense	-	-	-	-	-	-	(8,565,943)
Net income	187,793	9,614,900	13,892,438	6,654,824	263,752	-	22,047,764
Segment assets - (Gross of NPL's provision)	1,055,641	763,824,614	1,076,067,244	401,657,338	2,112,904	(840,458,000)	1,404,259,741
Advance taxation (payments less provisions)	-	-	-	-	-	-	13,758,353
Total assets	1,055,641	763,824,614	1,076,067,244	401,657,338	2,112,904	(840,458,000)	1,418,018,094
Segment non performing loans	-	-	14,977,331	33,776,018	-	-	48,753,349
Segment specific provision required	-	-	14,181,895	30,405,749	-	-	44,587,644
Segment liabilities	191,236	707,625,352	1,037,165,671	306,041,385	660,653	(840,458,000)	1,211,226,296
Deferred tax liability	-	-	-	-	-	-	5,661,073
Total liabilities - net	191,236	707,625,352	1,037,165,671	306,041,385	660,653	(840,458,000)	1,216,887,369
Segment return on assets (ROA) (%)	27.24%	2.14%	3.43%	2.30%	31.85%	-	-
Segment cost of fund (%)	-	5.93%	3.37%	5.62%	-	-	-

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	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Inter segment/group elimination	Total
	(Rupees in '000)						
2016							
Total income	254,961	23,796,873	30,433,604	6,994,033	622,798	-	62,102,269
Total expenses	(92,748)	(3,340,849)	(18,398,258)	(3,252,225)	(297,332)	-	(25,381,412)
Income tax expense	-	-	-	-	-	-	(14,546,712)
Net income	<u>162,213</u>	<u>20,456,024</u>	<u>12,035,346</u>	<u>3,741,808</u>	<u>325,466</u>	<u>-</u>	<u>22,174,145</u>
Segment assets - (Gross of NPL's provision)	862,747	665,776,637	841,255,373	305,115,468	2,238,090	(725,920,405)	1,089,327,910
Advance taxation (payments less provisions)	-	-	-	-	-	-	6,301,446
Total assets	<u>862,747</u>	<u>665,776,637</u>	<u>841,255,373</u>	<u>305,115,468</u>	<u>2,238,090</u>	<u>(725,920,405)</u>	<u>1,095,629,356</u>
Segment non performing loans	-	-	6,742,306	14,946,973	-	-	21,689,279
Segment specific provision required	-	-	6,724,006	12,215,114	-	-	18,939,120
Segment liabilities	655,488	572,076,352	806,319,110	264,095,443	614,529	(725,920,405)	917,840,517
Deferred tax liability	-	-	-	-	-	-	12,889,649
Total liabilities - net	<u>655,488</u>	<u>572,076,352</u>	<u>806,319,110</u>	<u>264,095,443</u>	<u>614,529</u>	<u>(725,920,405)</u>	<u>930,730,166</u>
Segment return on assets (ROA) (%)	29.55%	3.57%	3.65%	2.39%	27.83%	-	-
Segment cost of fund (%)	-	6.04%	3.35%	5.74%	-	-	-

Total income = Net markup income + non-markup income

Total expenses = Non Mark up expenses + Provisions

Segment assets and liabilities include inter segment balances.

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

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

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41. RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its associates, companies with common directorship, employee benefit plans and its directors and key management personnel and their close family members. The detail of investment in associates are stated in Annexure I (note 8) to these consolidated financial statements.

The Group enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Remuneration to Chief Executive, Directors and Executives is disclosed in note 38 to these consolidated financial statements.

	Directors		Associates		Other related parties		Key management	
	2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)								
A. Balances								
Deposits								
Deposits								
Opening balance	2,548,869	1,723,267	2,691,699	2,879,836	5,880,676	6,654,051	125,394	164,561
Received during the year	3,727,892	4,261,071	48,200,885	26,649,366	60,895,417	59,612,389	968,172	668,064
Withdrawn during the year	(2,316,031)	(3,435,469)	(47,791,845)	(26,837,503)	(62,951,553)	(60,385,764)	(892,100)	(707,231)
Closing balance	3,960,730	2,548,869	3,100,739	2,691,699	3,824,540	5,880,676	201,466	125,394
Advances								
Opening balance	14,131	23,190	660,568	519,403	262,113	-	153,831	133,323
Additions / adjustments during the year	-	-	297,000	452,350	4,491,988	2,398,324	53,177	62,886
Repaid / adjustments during the year	(1,028)	(9,059)	(643,436)	(311,185)	(2,431,167)	(2,136,211)	(32,908)	(42,378)
Closing balance	13,103	14,131	314,132	660,568	2,322,934	262,113	174,100	153,831
Borrowings								
Opening balance	-	-	-	-	936,788	1,047,410	-	-
Additions / adjustments during the year	-	-	-	-	1,356,967	2,395,000	-	-
Repaid / adjustments during the year	-	-	-	-	(1,300,000)	(2,505,622)	-	-
Closing balance	-	-	-	-	993,755	936,788	-	-
Other Balances								
Outstanding balance of credit cards	946	731	-	-	1,674	225	1,819	2,537
Receivable from Pension Fund	-	-	-	-	5,990,537	7,773,482	-	-
Commitments and contingent liabilities - outstanding	-	-	1,257,698	10,361	976,586	373,856	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	17,562,997	3,241,054	-	-
Unrealized gain / (loss) on forward foreign exchange contracts - outstanding	-	-	-	-	68,442	17,286	-	-
Trade payable	-	-	39,730	30,601	-	-	-	-
Markup payable	12,586	7,266	8,063	7,985	22,553	19,968	113	449
Other payable	5,401	4,226	24,203	17,829	611	70,750	52	84
Other advances	-	-	3,199	2,999	27,929	51,492	-	-
Markup receivable	-	-	-	-	14,958	3,163	589	1,152
Investments in units	-	-	-	-	1,003,821	1,118,615	-	-
Other receivable	-	-	32,441	5,257	535,094	483,886	1,979	1,515
Commission receivable	-	-	48,253	114,557	-	1	-	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

	Directors		Associates		Other related parties		Key management	
	2017	2016	2017	2016	2017	2016	2017	2016
(Rupees in '000)								
B. Transactions during the year								
Insurance premium-net of refund	-	-	563,067	496,119	-	-	-	-
Insurance claim settled	-	-	13,110	9,280	119	-	-	-
Markup income on advances and lendings	540	1,070	27,998	50,307	79,287	23,597	8,960	7,743
Forward exchange contracts matured during the year	-	-	3,836,868	-	67,058,454	55,539,270	-	-
Gain / (loss) on forward foreign exchange contracts matured during the year	-	-	-	-	213,322	(66,666)	-	-
Investments in units	-	-	-	-	2,144,144	1,881,227	-	-
Redemption of units	-	-	-	-	2,189,224	1,854,921	-	-
Management fee and Advisory income	740	-	-	23,451	701,337	631,080	-	-
Dividend income	-	-	302,497	273,641	73,876	7,357	-	-
Commission income	-	-	932,424	738,442	66,497	12,892	-	-
Rent income and reimbursement of other expenses	-	-	3,341	3,088	49,691	47,024	-	-
Income against sales load	-	-	-	-	10,810	5,287	-	-
Outsourcing service expenses	-	-	178,818	138,996	-	-	-	-
Sale of foreign currency	-	-	-	-	-	-	-	-
Purchase of foreign currency	-	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	68	50
Gain / (loss) on sale of fixed assets	-	-	-	-	-	-	36	50
Cash sorting expenses	-	-	-	-	96,648	55,168	-	-
Stationery expenses	-	-	-	-	185,132	176,261	-	-
Security guards expenses	-	-	-	-	388,231	439,030	-	-
Remuneration and non-executive directors fee	178,936	124,753	-	-	-	-	558,255	408,837
Mark-up expense	105,126	75,468	74,970	58,446	159,499	245,864	1,642	1,794
Clearing expenses paid to NIFT	-	-	-	-	136,080	126,393	-	-
Contribution to provident fund	-	-	-	-	355,375	270,806	-	-
Rent and other expenses	-	-	4,656	6,811	56,271	22,416	-	-
Sale of government securities	-	-	6,568,012	3,100,904	54,075,755	9,453,431	-	-
Purchase of government securities	-	-	5,535,578	7,094,110	41,411,268	10,165,703	-	-
Investment in securities	-	-	411,795	-	-	-	-	-
Proceeds from sale of securities	-	-	431,701	-	-	-	-	-
Gain / (loss) on sale of government securities	-	-	48	(24)	5,127	3,173	-	-
Donation during the year	-	-	-	-	5,000	-	-	-
Sharia Fee Paid	-	-	-	-	4,050	1,350	-	-
Miscellaneous expenses and payments	-	-	76,256	-	73,014	44,232	2,280	-

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 and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Applications

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

42.2 Capital Management

Objectives and goals of managing capital

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

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

Statutory minimum capital requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2013. The raise was to be achieved in a phased manner requiring Rs.10 billion paid up capital (net of losses) by the end of the financial year 2013. The paid up capital of the Bank for the year ended December 31, 2017 stands at Rs. 11.851 billion and is in compliance with the SBP requirement.

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

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

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

*Capital Conservation Buffer (CCB) Consisting of CET1 only

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

Bank's regulatory capital is analysed into three tiers.

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

The deduction from Tier 1 Capital include mainly:

- i) Book value of goodwill / intangibles;
 - ii) Deficit on revaluation of available for sale investments
 - iii) Defined-benefit pension fund net assets
 - iv) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
 - v) Investment in mutual funds above a prescribed ceiling;
 - vi) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
 - vii) 50% of deductions on account of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.
- Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and investments up to a maximum of 45 % of the balance and 80% of remaining 55% for 2017 and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2

The deductions from Tier 2 include mainly:

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

The required capital adequacy ratio including CCB (11.275% of the risk-weighted assets) is achieved by the Bank through retention of profit, improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

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

The Bank remained compliant with all regulatory capital requirements through out the year.

Notes to and forming part of the Consolidated Financial Statements

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42.3 Capital Adequacy Ratio

	2017	2016
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital	11,850,600	11,130,307
2 Balance in Share Premium Account	23,973,024	9,924,438
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	45,749,492	43,503,602
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits	55,221,069	55,509,013
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	580,656	509,331
9 CET 1 before Regulatory Adjustments	137,374,841	120,576,691
10 Total regulatory adjustments applied to CET1 (Note 42.3.1)	6,544,691	5,196,910
11 Common Equity Tier 1	130,830,150	115,379,781
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 42.3.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	130,830,150	115,379,781
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	3,114,062	-
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,118,256	760,194
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	11,450,011	10,067,718
29 of which: Unrealized gains/losses on AFS	4,323,505	9,555,083
30 Foreign Exchange Translation Reserves	397,079	84,593
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	20,402,913	20,467,588
33 Total regulatory adjustment applied to T2 capital (Note 42.3.3)	976,009	1,075,032
34 Tier 2 capital (T2) after regulatory adjustments	19,426,904	19,392,556
35 Tier 2 capital recognized for capital adequacy	19,426,904	19,392,556
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	19,426,904	19,392,556
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	150,257,054	134,772,337
39 Total Risk Weighted Assets (RWA) (for details refer Note 42.6)	919,316,376	684,872,372
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	14.23%	16.85%
41 Tier-1 capital to total RWA	14.23%	16.85%
42 Total capital to total RWA	16.34%	19.68%

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For the year ended December 31, 2017

	2017	2016	
	(Rupees in '000)		
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.00%	6.00%
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	8.23%	10.85%
National minimum capital requirements prescribed by SBP			
48	CET1 minimum ratio	6.00%	6.00%
49	Tier 1 minimum ratio	7.50%	7.50%
50	Total capital minimum ratio	10.00%	10.00%
51	Total capital minimum ratio plus CCB	11.275%	10.65%
Leverage Ratio			
	Tier 1 Capital	130,830,150	115,379,781
	Total Exposures	1,739,400,339	1,335,866,401
	Leverage Ratio	7.52%	8.64%

2017	2016
Amount	Amounts subject to Pre - Basel III treatment
(Rupees in '000)	

42.3.1 Common Equity Tier 1 capital: Regulatory adjustments

	2017	Amounts subject to Pre - Basel III treatment	2016
	(Rupees in '000)		
1	Goodwill (net of related deferred tax liability)	82,127	82,127
2	All other intangibles (net of any associated deferred tax liability)	1,243,226	1,008,093
3	Shortfall in provisions against classified assets	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
5	Defined-benefit pension fund net assets	3,115,078	3,031,658
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	582,288	-
7	Cash flow hedge reserve	-	-
8	Investment in own shares/ CET1 instruments	-	-
9	Securitization gain on sale	-	-
10	Capital shortfall of regulated subsidiaries	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
15	Amount exceeding 15% threshold	-	-
16	of which: significant investments in the common stocks of financial entities	-	-
17	of which: deferred tax assets arising from temporary differences	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	1,083,412	-
20	Any other deduction specified by SBP (mention details)	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions*	438,560	1,075,032
22	Total regulatory adjustments applied to CET1	6,544,691	5,196,910

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

		2017	2016
		Amount	Amounts subject to Pre - Basel III treatment
(Rupees in '000)			
42.3.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
24	Investment in own AT1 capital instruments	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	438,560	1,075,032
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	Total regulatory adjustment applied to AT1 capital*	-	-
*As the Bank has not Tier 1 capital, deduction was made from CET1.			
42.3.3 Tier 2 Capital: regulatory adjustments			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	438,560	1,075,032
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	537,449	-
33	Investment in own Tier 2 capital instrument	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	Total regulatory adjustment applied to T2 capital	976,009	1,075,032
42.3.4 Additional Information			
		2017	2016
Risk Weighted Assets subject to pre-Basel III treatment (Rupees in '000)			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	778,770	2,021,105
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)			
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2			
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	1,118,256	760,194
42	Cap on inclusion of provisions in Tier 2 under standardized approach	8,129,264	5,799,105
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Notes to and forming part of the Consolidated Financial Statements

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42.4 Capital Structure Reconciliation

Step 1	Balance sheet as per published financial state- ments As at 31-12-2017	Under regulatory scope of consolidation As at 31-12-2017
(Rupees in '000)		
Assets		
Cash and balances with treasury banks	109,462,902	109,462,902
Balances with other banks	7,348,882	7,348,882
Lending to financial institutions	5,273,524	5,273,524
Investments	660,070,246	660,070,246
Advances	500,965,801	500,965,801
Operating fixed assets	42,565,448	42,565,448
Deferred tax assets	-	-
Other assets	47,743,647	47,743,647
Total assets	1,373,430,450	1,373,430,450
Liabilities & Equity		
Bills payable	22,994,877	22,994,877
Borrowings	140,462,138	140,462,138
Deposits and other accounts	1,001,146,162	1,001,146,162
Sub-ordinated loans	3,892,578	3,892,578
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	5,661,073	5,661,073
Other liabilities	42,730,541	42,730,541
Total liabilities	1,216,887,369	1,216,887,369
Share capital	11,850,600	11,850,600
Reserves	71,027,912	71,027,912
Unappropriated profit	55,221,069	55,221,069
Minority Interest	580,656	580,656
Total Equity	138,680,237	138,680,237
Surplus on revaluation of assets - net of tax	17,862,844	17,862,844
Total liabilities & equity	1,373,430,450	1,373,430,450

Notes to and forming part of the Consolidated Financial Statements

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Step 2

	Balance sheet as per published financial statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2017	As at 31-12-2017	
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	109,462,902	109,462,902	
Balances with other banks	7,348,882	7,348,882	
Lending to financial institutions	5,273,524	5,273,524	
Investments	660,070,246	660,070,246	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	1,083,412	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	1,119,737	-	d
of which: others	-	-	e
Advances	500,965,801	500,965,801	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	1,118,256	1,118,256	g
Fixed Assets	42,565,448	42,565,448	
of which: Goodwill	82,127	-	j
of which: Intangibles	1,243,226	1,243,226	k
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	47,743,647	47,743,647	
of which: Defined-benefit pension fund net assets	5,990,536	5,990,536	l
Total assets	1,373,430,450	1,373,430,450	
Liabilities & Equity			
Bills payable	22,994,877	22,994,877	
Borrowings	140,462,138	140,462,138	
Deposits and other accounts	1,001,146,162	1,001,146,162	
Sub-ordinated loans	3,892,578	3,892,578	
of which: eligible for inclusion in AT1	-	-	
of which: eligible for inclusion in Tier 2	3,114,062	-	m
Liabilities against assets subject to finance lease	-	-	n
Deferred tax liabilities	5,661,073	5,661,073	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	2,096,688	2,096,688	q
of which: other deferred tax liabilities	3,564,385	3,564,385	r
Other liabilities	42,730,541	42,730,541	
Total liabilities	1,216,887,369	1,216,887,369	
Share capital	35,823,624	35,823,624	
of which: amount eligible for CET1	35,823,624	35,823,624	s
of which: amount eligible for AT1	-	-	t
Reserves	47,054,888	47,054,888	
of which: portion eligible for inclusion in CET1 (general reserve & statutory reserve)	45,749,492	45,749,492	u
of which: portion eligible for inclusion in Tier 2	397,079	397,079	v
Unappropriated profit	55,221,069	55,221,069	w
Minority Interest	580,656	580,656	
of which: portion eligible for inclusion in CET1	580,656	580,656	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	17,862,844	17,862,844	
of which: Revaluation reserves on fixed assets	12,860,226	12,860,226	aa
of which: Unrealized Gains/Losses on AFS	4,862,826	4,862,826	
of which: Revaluation reserves on Non-banking assets	139,792	139,792	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	156,543,081	156,543,081	
Total liabilities & Equity	1,373,430,450	1,373,430,450	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital	11,850,600
2	Balance in Share Premium Account	23,973,024 (s)
3	Reserve for issue of Bonus Shares	-
4	General/ Statutory Reserves	45,749,492 (u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/(losses)	55,221,069 (w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	580,656 (x)
8	CET 1 before Regulatory Adjustments	137,374,841
Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	82,127 (j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	1,243,226 (k) - (p)
11	Shortfall of provisions against classified assets	- (f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	- {(h) - (r) * 80%
13	Defined-benefit pension fund net assets	3,115,078 {(l) - (q)} * 80%
14	Reciprocal cross holdings in CET1 capital instruments	582,288 (d)
15	Cash flow hedge reserve	-
16	Investment in own shares/ CET1 instruments	-
17	Securitization gain on sale	-
18	Capital shortfall of regulated subsidiaries	-
19	Deficit on account of revaluation from bank's holdings of property/ AFS	- (ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	- (a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	- (b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	- (i)
23	Amount exceeding 15% threshold	-
24	of which: significant investments in the common stocks of financial entities	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments applied to CET1 capital	-
27	Investment in TFCs of other banks exceeding the prescribed limit	1,083,412
28	Any other deduction specified by SBP	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	438,560
30	Total regulatory adjustments applied to CET1	6,544,691
31	Common Equity Tier 1	130,830,150
Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-
33	of which: Classified as equity	- (t)
34	of which: Classified as liabilities	- (m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	- (y)
36	of which: instrument issued by subsidiaries subject to phase out	-
37	AT1 before regulatory adjustments	-
Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-
39	Investment in own AT1 capital instruments	-
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	- (ac)

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Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
42	-	(ad)
43	438,560	
44	-	
45	-	
46	-	
47	Additional Tier 1 capital recognized for capital adequacy	-
48	Tier 1 Capital (CET1 + admissible AT1)	130,830,150
Tier 2 Capital		
49	3,114,062	
50	-	(n)
51	-	(z)
52	-	
53	1,118,256	(g)
54	15,773,516	
55	11,450,011	portion of (aa)
56	4,323,505	
57	397,079	(v)
58	-	
59	T2 before regulatory adjustments	20,402,913
Tier 2 Capital: regulatory adjustments		
60	438,560	
61	537,449	
62	-	
63	-	(ae)
64	-	(af)
65	976,009	
66	19,426,904	
67	19,426,904	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-
69	19,426,904	
70	TOTAL CAPITAL (T1 + admissible T2)	150,257,054

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42.5 Main Features Template of Regulatory Capital Instruments

		Common Shares	Debt Instruments
1	Issuer	MCB Bank Limited	MCB Bank Limited
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	MCB	MCB - Tier II
3	Governing law(s) of the instrument	Relevant Capital Market Laws	Laws applicable in Pakistan
Regulatory treatment			
4	Transitional Basel III rules	Common equity Tier 1	Tier II Capital
5	Post-transitional Basel III rules	Common equity Tier 1	Tier II Capital
6	Eligible at solo/ group/ group&solo	Group & standalone	Group & standalone
7	Instrument type	Common Shares	Subordinated loan
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,850,600	3,114,062
9	Par value of instrument	PKR 10 per share	PKR 5000
10	Accounting classification	Shareholder equity	Subordinated loan
11	Original date of issuance	1947	19-Jun-14
12	Perpetual or dated	Perpetual	dated
13	Original maturity date	No maturity	19-Jun-22
14	Issuer call subject to prior supervisory approval	Not applicable	yes
15	Optional call date, contingent call dates and redemption amount	Not applicable	Callable with prior approval of SBP on or after five years from the date of issue
16	Subsequent call dates, if applicable	Not applicable	Not applicable
Coupons / dividends			
17	Fixed or floating dividend/ coupon	Not applicable	Floating
18	coupon rate and any related index/ benchmark	Not applicable	Six months KIBOR (Ask side) + 1.15%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or cumulative	Not applicable	Not applicable
Convertible or non-convertible			
23	If convertible, conversion trigger (s)	Not applicable	The instrument will be subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Guidelines, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank.
24	If convertible, fully or partially	Not applicable	Fully
25	If convertible, conversion rate	Not applicable	To be determined in case of trigger event(s)
26	If convertible, mandatory or optional conversion	Not applicable	Mandatory
27	If convertible, specify instrument type convertible into	Not applicable	Common Equity Tier 1
28	If convertible, specify issuer of instrument it converts into	Not applicable	MCB Bank Limited
Write-down feature			
29	If write-down, write-down trigger(s)	Not applicable	The instrument will be subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Guidelines, SBP may at its option, fully and permanently convert the TFCs into common shares of the Bank.
30	If write-down, full or partial	Not applicable	May be written down fully or partially
31	If write-down, permanent or temporary	Not applicable	Permanent
32	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable
33	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity ranks after all creditors and depositors	Subordinate to all other indebtedness to the Bank including deposits
34	Non-compliant transitioned features	No	None
35	If yes, specify non-compliant features	Not applicable	Not applicable

Notes to and forming part of the Consolidated Financial Statements

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42.6. Risk Weighted Assets

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

	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
	(Rupees in '000)			
Credit Risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Corporate portfolio	41,419,669	27,099,974	327,959,409	227,500,477
Banks / DFIs	1,825,272	1,141,128	14,452,434	9,579,606
Public sector entities	924,835	732,442	7,322,811	6,148,745
Sovereigns / cash & cash equivalents	509,773	747,067	4,036,363	6,271,524
Loans secured against residential property	342,113	193,994	2,708,836	1,628,553
Retail	3,697,166	2,142,182	29,274,021	17,983,319
Past due loans	533,006	333,824	4,220,322	2,802,404
Operating fixed assets	5,208,422	4,066,255	41,240,095	34,135,644
Other assets	3,356,185	2,170,943	26,574,152	18,224,759
	57,816,440	38,627,809	457,788,443	324,275,031
Off-Balance Sheet				
Non-market related	21,741,333	14,473,301	172,147,072	121,501,333
Market related	124,489	65,500	985,703	549,861
	21,865,822	14,538,801	173,132,775	122,051,194
Equity Exposure Risk in the Banking Book				
Listed	1,331,610	1,561,922	10,543,636	13,112,115
Unlisted	1,121,028	534,855	8,876,258	4,490,029
	2,452,638	2,096,777	19,419,894	17,602,144
Total Credit Risk	82,134,900	55,263,387	650,341,112	463,928,369
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	3,535,843	4,088,708	44,198,038	51,108,850
Equity position risk	3,523,401	3,420,577	44,042,515	42,757,213
Foreign exchange risk	4,953,835	1,509,040	61,922,941	18,863,000
Total Market Risk	12,013,080	9,018,325	150,163,494	112,729,063
Operational Risk				
Capital requirement for operational risks	9,504,942	8,657,195	118,811,771	108,214,940
Total	103,652,921	72,938,907	919,316,376	684,872,372
	2017		2016	
	Required	Actual	Required	Actual
	(%)	(%)	(%)	(%)
Capital Adequacy Ratios				
CET1 to total RWA	6.00	14.23	6.00	16.85
Tier-1 capital to total RWA	7.50	14.23	7.50	16.85
Total capital to total RWA	10.00	16.34	10.00	19.68
Total capital plus CCB to total RWA	11.275	16.34	10.65	19.68

* As SBP capital requirement plus CCB of 11.275% (10.65% in 2016) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

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43 RISK MANAGEMENT

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

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

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM&PRC), the senior management and its relevant committees, i.e. the Management Credit and Risk Committee (MC&RC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring processes which are closely aligned with the activities of the bank. The framework combines core policies, procedures and process designs with broad oversight and is supported by an efficient monitoring mechanism across the bank to ensure that risks are kept within an acceptable level.

The Bank ensures that not only the relevant risks are identified but their implications are also considered and basis provided for managing and measuring the risks. Through Internal Control units, the Bank ensures that effective controls are in place to mitigate each of the identified risk.

Independent from business groups, Head of Risk Management reports functionally to the Risk Management & Portfolio Review Committee (RM&PRC) and administratively to the President; the RM&PRC convenes regular meetings to evaluate bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Risk Management Policy Formulation
- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management

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.

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43.1 Credit Risk

Credit risk arises from our dealings with individuals, corporate borrowers, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its lending and investment activities. It stems from Bank's both on and off-balance sheet activities. Credit risk makes up the largest part of the Bank's exposure. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Bank has developed rating systems and all its borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, Probability Default based internal credit risk rating (ICRR) system based on the statistical modeling and validation in line with Basel principles. The revamped ICRR is currently focused on Corporate Commercial and Corporate Large customer categories. The Internal Credit Risk Rating Model for rating of SME Customers has also been revamped to achieve more accurate results and to improve the quality of credit decisions.

In order to manage bank's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control is responsible for performing following activities:

- Credit disbursement authorization;
- Collateral coverage and monitoring;
- Compliance of loan covenants/ terms of approval;
- Maintenance/ custody of collateral and security documentation.
- Credit Risk Limit Controls

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulations.

The Bank creates specific provision against Non-Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans and Small enterprise (SEs) made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries. Please refer note No. 10.4 for reconciliation of changes in specific and general provisions.

Management of Non Performing Loans

The Bank has a Assets Rehabilitation Group (ARG), which is responsible for management of non performing loans. ARG undertakes restructuring / rescheduling of problem loans, as well as litigation of both civil and criminal cases for collection of debt.

Stress Testing

Credit Risk stress testing is a regular exercise. Bank's credit exposures including funded and non-funded facilities are subjected to stress tests. This exercise is conducted on a quarterly basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

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43.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of advances (gross), deposits, contingencies and commitments.

	2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
43.1.1.1 Segments by class of business						
Agri, feed, forestry , poultry	14,754,996	2.70	27,311,700	2.73	1,821,519	0.39
Textile	80,986,368	14.81	7,127,220	0.71	17,957,126	3.84
Chemical, petroleum and pharmaceuticals	62,526,735	11.44	8,106,114	0.81	20,858,239	4.46
Cement	7,015,203	1.28	5,310,881	0.53	6,990,371	1.49
Sugar	34,731,226	6.35	5,301,808	0.53	3,298,893	0.71
Footwear and leather garments	3,449,702	0.63	647,073	0.06	654,991	0.14
Automobile and transportation equipment	677,435	0.12	5,573,200	0.56	2,659,501	0.57
Electronics and electrical appliances	6,493,418	1.19	1,120,322	0.11	3,146,118	0.67
Construction, engineering and steel	26,998,799	4.94	48,140,381	4.81	20,583,562	4.40
Power, energy, gas, water, sanitary	37,827,906	6.92	32,843,339	3.28	12,187,444	2.61
Wholesale, retail trade and distribution	39,720,342	7.27	44,310,199	4.43	18,251,940	3.90
Transport, storage and communication	82,733,335	15.13	8,444,642	0.84	29,887,307	6.39
Financial	11,201,811	2.05	18,945,123	1.89	234,191,490	50.07
Insurance	306,310	0.06	8,185,328	0.82	13,702	0.00
Services	18,212,426	3.33	68,706,385	6.86	53,132,292	11.36
Individuals	42,072,008	7.70	614,260,454	61.36	8,349,915	1.79
Others	76,963,681	14.08	96,811,993	9.67	33,722,070	7.22
	546,671,701	100	1,001,146,162	100	467,706,480	100

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Agri, feed, forestry , poultry	15,859,187	4.13	37,881,480	4.76	2,382,944	0.77
Textile	41,035,489	10.68	4,297,206	0.54	15,054,755	4.84
Chemical, petroleum and pharmaceuticals	65,847,768	17.14	8,508,701	1.07	33,750,960	10.85
Cement	2,896,286	0.75	1,012,759	0.13	3,040,868	0.98
Sugar	24,134,047	6.28	2,654,893	0.33	3,894,221	1.25
Footwear and leather garments	1,400,286	0.36	505,876	0.06	954,357	0.31
Automobile and transportation equipment	367,527	0.10	3,429,321	0.43	1,405,320	0.45
Electronics and electrical appliances	2,658,495	0.69	571,310	0.07	2,533,064	0.81
Construction, engineering and steel	21,215,742	5.52	20,423,863	2.57	19,360,544	6.23
Power, energy, gas, water, sanitary	26,817,029	6.98	22,900,897	2.88	7,996,860	2.57
Wholesale, retail trade and distribution	31,279,545	8.14	36,312,902	4.56	14,818,851	4.77
Transport, storage and communication	60,466,661	15.74	4,024,893	0.51	32,292,350	10.38
Financial	8,057,367	2.10	14,524,908	1.83	109,452,049	35.20
Insurance	348,053	0.09	5,175,234	0.65	17,623	0.01
Services	9,894,768	2.58	59,387,858	7.46	31,871,214	10.25
Individuals	25,754,531	6.70	500,085,803	62.85	5,552,508	1.79
Others	46,136,821	12.01	73,991,642	9.30	26,577,014	8.55
	384,169,602	100	795,689,546	100	310,955,502	100

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	2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
43.1.1.2 Segment by sector						
Public / Government	88,686,569	16.22	85,371,597	8.53	86,508,681	18.50
Private	457,985,132	83.78	915,774,565	91.47	381,197,799	81.50
	546,671,701	100	1,001,146,162	100	467,706,480	100

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Public / Government	85,635,211	22.29	65,620,135	8.25	67,705,171	21.77
Private	298,397,619	77.67	730,069,411	91.75	243,250,331	78.23
	384,169,602	100	795,689,546	100	310,955,502	100

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

	2017		2016	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agri, feed, forestry , poultry	413,606	353,969	309,578	271,978
Textile	13,628,172	13,344,535	3,312,843	3,310,628
Chemical, petroleum and pharmaceuticals	636,337	616,340	370,687	370,687
Cement	392,862	392,862	-	-
Sugar	2,527,266	2,446,248	897,727	897,727
Footwear and leather garments	340,408	326,284	20,418	20,418
Automobile and transportation equipment	495,144	425,487	6,998	6,998
Electronics and electrical appliances	119,039	113,069	276,504	276,504
Construction, engineering and steel	2,128,214	2,069,489	1,337,372	1,337,372
Power (electricity), gas, water, sanitary	384,221	382,424	1,899	1,899
Wholesale, retail trade and distribution	11,307,217	8,547,836	3,109,310	3,034,196
Transport, storage and communication	747,991	635,112	68,597	68,596
Financial	777,469	777,469	765,272	765,272
Services	1,741,218	1,607,140	751,386	750,262
Individuals	4,629,345	4,162,444	2,944,690	2,930,873
Others	8,484,840	8,386,936	7,515,998	4,895,710
	48,753,349	44,587,644	21,689,279	18,939,120

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

Public/ Government	639,825	639,825	639,825	639,825
Private	48,113,524	43,947,819	21,049,454	18,299,295
	48,753,349	44,587,644	21,689,279	18,939,120

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43.1.1.5 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	29,690,792	1,330,895,461	148,454,136	453,555,122
South Asia	512,888	20,812,534	5,092,387	9,543,753
Middle East	359,530	21,207,311	2,794,776	5,657,605
Eurasia(Azerbaijan)	50,497	515,144	201,782	-
	<u>30,613,707</u>	<u>1,373,430,450</u>	<u>156,543,081</u>	<u>468,756,480</u>
	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	36,283,722	1,043,745,699	139,008,215	299,598,527
South Asia	427,842	16,587,979	4,070,508	5,698,754
Middle East	7,832	15,806,888	2,735,298	5,658,221
Eurasia(Azerbaijan)	1,461	549,670	146,049	-
	<u>36,720,857</u>	<u>1,076,690,236</u>	<u>145,960,070</u>	<u>310,955,502</u>

Total assets employed include intra group items of Rs. NIL (2016: Rs. NIL).

43.1.2 Credit Risk - General Disclosures

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

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

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

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

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

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

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Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

SBP	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F-1	P-1	A-1+, A-1
S2	A-2	A-2	F-2	P-2	A-2
S3	A-3	A-3	F-3	P-3	A-3
S4	Others	Others	Others	Others	Others

Credit Exposures subject to Standardized approach

Exposures	Rating	2017			2016		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
(Rupees in '000)							
Corporate	1	59,006,460	-	59,006,460	44,922,417	-	44,922,417
	2	31,828,366	-	31,828,366	12,407,944	-	12,407,944
	3,4	2,621,482	-	2,621,482	706,240	-	706,240
	5,6	-	-	-	-	-	-
	Unrated	259,330,670	-	259,330,670	187,605,799	-	187,605,799
Bank	1	31,403,952	-	31,403,952	26,681,626	-	26,681,626
	2,3	2,722,470	-	2,722,470	893,952	-	893,952
	4,5	4,865,520	-	4,865,520	2,687,807	-	2,687,807
	6	32,752	-	32,752	76,455	-	76,455
	Unrated	5,344,330	-	5,344,330	2,718,511	-	2,718,511
Public Sector Entities in Pakistan	1	8,077,484	-	8,077,484	15,199,910	-	15,199,910
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	84,228,112	72,813,484	11,414,629	70,464,496	64,246,970	6,217,526
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash	1	111,794,965	-	111,794,965	73,628,498	-	73,628,498
	2	8,313,825	-	8,313,825	5,416,153	-	5,416,153
	3	-	-	-	-	-	-
	4,5	4,036,363	-	4,036,363	6,271,524	-	6,271,524
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
Mortgage		7,739,531	-	7,739,531	4,653,007	-	4,653,007
Retail		39,032,028	-	39,032,028	23,977,759	-	23,977,759

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

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

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

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

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

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

Concentration of risk

Out of the total financial assets of Rs. 1,296,751.906 million (2016: Rs. 1,024,376.765 million) the financial assets which are subject to credit risk amounting to Rs. 1,246,303.859 million (2016: Rs. 982,458.369 million). To manage credit risk the Group applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 610,937.196 million (2016: Rs. 501,610.324 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 65,331.492 million (2016: Rs. 41,332.396 million) are held by the Bank with the State Bank of Pakistan and central banks of other countries.

43.1.3.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both trading and strategic purposes. The Bank has invested in its subsidiaries and associated companies to achieve long term strategic objectives. As of December 31, 2017 the composition of equity investments and associated companies is as follows:

Composition of equity investments

Exposures	Held for trading	Available for Sale	Associates
(Rupees in '000)			
Equity investments – publicly traded	29,396	26,201,189	4,385,602
Equity investments - others	-	1,520,789	70,637
Total value	29,396	27,721,978	4,456,239

Classification of equity investments

Bank classifies its equity investment portfolio in accordance with the directives of SBP as follows:

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

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Policies, valuation and accounting of equity investments

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

In accordance with the requirements of the State Bank of Pakistan, quoted equity securities, other than investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account directly.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available financial statements.

The cumulative realized gain of Rs. 3,768.721 million has been credited to profit & loss account from sale of equity securities; however unrealized gain of Rs. 775.751 million was recognized in the balance sheet in respect of "AFS" equity securities.

43.2 Market Risk Management

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. MCB is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign Exchange Group and the Capital Market Group. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Bank's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, 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 decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

In line with regulatory requirements, MCB has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market Risk by using different risk parameters with combinations of various limits. A specific Board approved Market Risk Limit Policy provides guidelines for assuming controlled market risk, its monitoring and management. The approved Limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Besides conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its treasury and capital market groups. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon.

A framework of stress testing, scenario analysis and reverse stress tests covering both banking and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by senior management and also reported to the SBP.

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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.

43.2.1 Foreign Exchange Risk Management

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

The core objective of foreign exchange risk management is to ensure the foreign exchange exposure of the Bank remains 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.

	2017			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	1,296,303,776	1,126,153,626	(15,933,854)	154,216,296
Sri Lankan Rupee	20,799,971	20,812,534	4,081,628	4,069,065
United States Dollar	37,157,343	42,132,440	2,867,376	(2,107,721)
Arab Emirates Dirham	16,096,532	15,944,630	(6,012)	145,890
Pound Sterling	986,754	5,680,061	4,594,953	(98,354)
Japanese Yen	30,357	95	(1,785)	28,477
Euro	1,422,161	5,850,621	4,397,825	(30,635)
Other currencies	633,556	313,362	(131)	320,063
	<u>1,373,430,450</u>	<u>1,216,887,369</u>	<u>-</u>	<u>156,543,081</u>
	2016			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	1,013,878,036	867,567,906	(270,470)	146,039,660
Sri Lankan Rupee	16,560,096	16,587,979	(409,794)	(437,677)
United States Dollar	33,239,645	27,069,205	(5,918,466)	251,974
Arab Emirates Dirham	10,308,522	10,354,564	-	(46,042)
Pound Sterling	1,332,625	4,075,738	2,658,502	(84,611)
Japanese Yen	43,740	70	(31,961)	11,709
Euro	733,581	4,671,083	3,988,929	51,427
Other currencies	593,991	403,621	(16,740)	173,630
	<u>1,076,690,236</u>	<u>930,730,166</u>	<u>-</u>	<u>145,960,070</u>

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43.2.2 Equity Price 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.

43.2.3 Country Risk

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

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

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

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43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

Effective Yield/ Interest rate	Total	2017										Not exposed to Yield/ Interest Risk			
		Exposed to Yield/ Interest risk													
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years					
		(Rupees in '000)													
On-balance sheet financial instruments															
Assets															
Cash and balances with treasury banks	109,462,902	6,964,134	-	-	-	-	-	-	-	-	-	-	-	102,498,768	
Balances with other banks	7,348,882	1,914,382	-	-	-	-	-	-	-	-	-	-	-	5,434,500	
Lendings to financial institutions	5,273,524	5,273,524	-	-	-	-	-	-	-	-	-	-	-	-	
Investments - net	655,614,007	162,925,037	233,936,534	30,241,527	70,402,828	59,425,727	26,031,477	41,194,066	3,715,859	11,613,376	10,715,502	4,990,927	-	27,740,952	
Advances - net	500,965,801	406,278,321	40,989,946	11,123,754	5,922,207	2,963,391	4,441,575	11,613,376	10,715,502	4,990,927	-	-	-	1,926,802	
Other assets - net	18,086,790	-	-	-	-	-	-	-	-	-	-	-	-	18,086,790	
	1,296,751,906	583,355,998	274,926,480	41,365,281	76,325,035	62,389,118	30,473,052	52,807,442	14,431,361	4,990,927	-	-	-	155,687,812	
Liabilities															
Bills payable	22,994,877	-	-	-	-	-	-	-	-	-	-	-	-	-	22,994,877
Borrowings	140,462,138	97,256,309	16,703,929	12,824,046	6,937,734	6,740,120	-	-	-	-	-	-	-	-	
Deposits and other accounts	1,001,146,162	554,544,080	17,334,174	13,758,172	24,724,251	2,242,536	1,179,924	1,358,753	-	-	-	-	-	386,004,272	
Sub-ordinated loan	3,892,578	-	-	3,892,578	-	-	-	-	-	-	-	-	-	-	
Other liabilities	29,551,766	-	-	-	-	-	-	-	-	-	-	-	-	29,551,766	
	1,198,047,521	651,800,389	34,038,103	30,474,796	31,661,995	8,982,656	1,179,924	1,358,753	-	-	-	-	-	438,550,915	
On-balance sheet gap	98,704,385	(68,444,991)	240,888,377	10,890,485	44,663,050	53,406,462	29,293,128	51,448,689	14,431,361	4,990,927	-	-	-	(282,863,103)	
Off-balance sheet financial instruments															
FX options purchase	865,718	341,337	401,018	123,363	-	-	-	-	-	-	-	-	-	-	
Outright purchase of Government Securities	7,000,000	7,000,000	-	-	-	-	-	-	-	-	-	-	-	-	
Cross currency swaps - long position	1,510,582	-	-	-	207,603	207,603	207,484	1,095,485	-	-	-	-	-	-	
Foreign exchange contracts Purchase	85,637,860	40,744,722	25,713,571	18,890,209	289,358	-	-	-	-	-	-	-	-	-	
	95,014,160	48,088,059	26,114,589	19,013,572	496,961	207,484	1,095,485	-	-	-	-	-	-	-	
FX options sale	865,718	341,337	401,018	123,363	-	-	-	-	-	-	-	-	-	-	
Forward repurchase agreement borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest rate swaps	316,500	-	-	-	-	-	-	-	316,500	-	-	-	-	-	
Cross currency swaps - short position	1,721,562	-	-	-	-	-	-	-	1,306,475	-	-	-	-	-	
Foreign exchange contracts Sale	75,559,527	30,696,264	25,847,367	17,147,579	1,681,766	123,611	60,940	-	-	-	-	-	-	-	
	78,463,307	31,039,601	26,248,365	17,270,942	1,889,369	331,095	1,683,915	-	-	-	-	-	-	-	
Off-balance sheet gap	16,550,853	17,046,459	(133,796)	1,742,630	(1,392,409)	(123,611)	(588,420)	-	-	-	-	-	-	-	
Total yield / interest risk sensitivity gap	(51,398,533)	240,754,581	12,633,115	43,270,642	53,282,651	28,704,708	51,448,689	14,431,361	4,990,927	-	-	-	-	398,118,341	
Cumulative yield / interest risk sensitivity gap	(51,398,533)	189,356,048	201,989,163	245,259,805	298,542,656	327,247,964	378,696,053	393,127,414	398,118,341	-	-	-	-	-	

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43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

	Effective Yield/ Interest rate	2016										Not exposed to Yield/ Interest Risk	
		Exposed to Yield/ Interest risk											
		Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0%	75,732,185	4,468,181	-	-	-	-	-	-	-	-	-	71,264,004
Balances with other banks	1.65% to 13%	7,201,459	3,641,002	-	-	-	-	-	-	-	-	-	3,560,457
Lendings to financial institutions	5.80% to 8.42%	2,809,752	2,809,752	-	-	-	-	-	-	-	-	-	-
Investments - net	0.24% to 13.20%	551,322,869	39,817,387	252,289,193	14,090,655	43,968,259	93,640,841	14,479,076	40,359,596	28,897,122	-	-	23,780,940
Advances - net	7.20%	364,470,288	254,740,779	54,887,069	12,605,819	16,354,803	9,063,547	6,244,821	5,587,662	1,816,536	-	-	374,004
Other assets - net		22,840,212	-	-	-	-	-	-	-	-	-	-	22,840,212
		1,024,376,765	305,477,101	307,176,262	26,696,474	60,323,062	102,704,388	20,723,897	45,947,058	30,713,658	2,795,248	-	121,819,617
Liabilities													
Bills payable		13,291,328	-	10,576,988	15,332,339	3,127,287	3,079,789	-	-	-	-	-	13,291,328
Borrowings	1% to 12.70%	77,438,993	45,322,590	12,819,434	9,931,237	15,009,194	190,322	1,143,180	678,983	-	-	-	301,155,916
Deposits and other accounts	3.75% to 11.64%	795,689,546	454,761,280	-	-	-	-	-	-	-	-	-	27,290,465
Other liabilities		27,290,465	-	-	-	-	-	-	-	-	-	-	-
		913,710,332	500,083,870	23,396,422	25,263,576	18,136,481	3,270,111	1,143,180	678,983	-	-	-	341,737,709
		110,666,433	(194,606,769)	283,779,840	1,432,898	42,186,561	99,434,277	19,580,717	45,268,075	30,713,658	2,795,248	-	(219,918,092)
On-balance sheet gap													
Off-balance sheet financial instruments													
FX options purchase		1,034,994	284,169	396,008	354,818	-	-	-	-	-	-	-	-
Outright purchase of Government Securities		200,850	200,850	-	-	-	-	-	-	-	-	-	-
Cross currency swaps - long position		675,193	-	-	-	-	207,603	-	467,590	-	-	-	-
Foreign exchange contracts Purchase		49,411,339	23,748,341	16,474,070	8,936,234	252,694	-	-	-	-	-	-	-
		51,322,376	24,233,360	16,870,078	9,291,052	252,694	207,603	-	467,590	-	-	-	-
FX options sale		1,034,994	284,169	396,008	354,818	-	-	-	-	-	-	-	-
Forward repurchase agreement borrowings		1,000,000	1,000,000	-	-	-	-	-	-	-	-	-	-
Forward call borrowings		400,000	400,000	-	-	-	-	-	-	-	-	-	-
Cross currency swaps - long position		675,193	-	-	-	-	207,603	-	467,590	-	-	-	-
Foreign exchange contracts Sale		49,341,990	24,557,217	10,861,435	9,338,057	4,585,281	-	-	-	-	-	-	-
		52,452,177	26,241,386	11,257,443	9,682,875	4,585,281	207,603	-	467,590	-	-	-	-
		(1,129,801)	(2,006,026)	5,612,635	(401,823)	(4,332,587)	-	-	-	-	-	-	-
Off-balance sheet gap													
Total yield / interest risk sensitivity gap			(196,614,795)	289,392,475	1,031,075	37,853,994	99,434,277	19,580,717	45,268,075	30,713,658	2,795,248	-	2,795,248
Cumulative yield / interest risk sensitivity gap			(196,614,795)	92,777,680	93,808,755	131,662,749	231,097,026	250,677,743	295,945,818	326,659,476	329,454,724	-	329,454,724

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

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Reconciliation to total assets	2017	2016	Reconciliation to total liabilities	2017	2016
	(Rupees in '000)			(Rupees in '000)	
Balance as per balance sheet	1,373,430,450	1,076,690,236	Balance as per balance sheet	1,216,887,369	930,730,166
Less: Non financial assets			Less: Non financial liabilities		
Investments	4,456,239	5,447,515	Other liabilities	13,178,775	4,130,185
Operating fixed assets	42,565,448	35,225,865	Deferred tax liability	5,661,073	12,889,649
Other assets	29,656,857	11,640,091		18,839,848	17,019,834
	76,678,544	52,313,471			
Total financial assets	1,296,751,906	1,024,376,765	Total financial liabilities	1,198,047,521	913,710,332

43.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Bank understands that liquidity does not come for free, and surplus liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Liquidity is essential to the ability to operate financial services businesses and, therefore, the ability to maintain surplus levels of liquidity through economic cycles is crucial, particularly during periods of adverse conditions, liquidity management is among the most important activities that the MCB conducts during both normal and stress periods. MCB recognizes that liquidity risk can arise from the Bank's activities and can be grouped into three categories:

- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

Liquidity Management

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 and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

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

2017

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	109,462,902	109,462,902	-	-	-	-	-	-	-	-
Balances with other banks	7,348,882	7,348,882	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,273,524	5,273,524	-	-	-	-	-	-	-	-
Investments - net	660,070,246	164,901,838	232,922,302	23,107,109	70,189,616	61,589,298	44,299,850	42,654,163	15,949,831	4,456,239
Advances - net	500,965,801	186,671,599	80,354,770	41,456,518	28,082,939	37,604,610	38,437,931	51,126,155	29,231,168	8,000,111
Operating fixed assets	42,565,448	178,070	356,139	534,208	1,068,416	2,136,832	2,136,832	4,273,664	10,684,160	21,197,127
Deferred tax assets	3,524,718	-	-	-	3,524,718	-	-	-	-	-
Other assets - net	47,743,647	12,584,331	14,839,443	4,128,377	5,892,412	1,939	18,608	10,278,537	-	-
	1,376,955,168	486,421,146	328,472,654	69,226,212	108,758,101	101,332,679	84,893,221	108,332,519	55,865,159	33,653,477
Liabilities										
Bills payable	22,994,877	22,994,877	-	-	-	-	-	-	-	-
Borrowings	140,462,138	97,256,309	16,703,929	12,824,046	6,937,734	6,740,120	-	-	-	-
Deposits and other accounts	1,001,146,162	937,683,054	18,236,714	15,176,912	25,216,477	2,277,014	1,195,424	1,360,567	-	-
Sub-ordinated loan	3,892,578	-	-	779	779	1,557	1,557	3,887,906	-	-
Deferred tax liabilities	9,185,791	26,761	29,824	44,060	583,398	397,789	278,688	1,500,471	4,272,785	2,052,015
Other liabilities	42,730,541	15,684,460	3,526,216	5,377,320	4,221,383	4,774,297	437,133	982,415	7,727,317	-
	1,220,412,087	1,073,645,461	38,496,683	33,423,117	36,959,771	14,190,777	1,912,802	7,731,359	12,000,102	2,052,015
Net assets	156,543,081	(587,224,315)	289,975,971	35,803,095	71,798,330	87,141,902	82,980,419	100,601,160	43,865,057	31,601,462
Share capital	11,850,600									
Reserves	71,027,912									
Unappropriated profit	55,221,069									
Non-controlling interest	580,656									
Surplus on revaluation of assets - net of tax	17,862,844									
	156,543,081									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

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

	2016									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	75,732,185	75,732,185	-	-	-	-	-	-	-	-
Balances with other banks	7,201,459	7,201,459	-	-	-	-	-	-	-	-
Lendings to financial Institutions	2,809,752	2,809,752	-	-	-	-	-	-	-	-
Investments - net	556,770,384	42,230,128	253,615,895	13,691,650	44,144,683	110,147,746	14,576,289	40,553,821	32,265,444	5,544,728
Advances - net	364,470,288	47,159,750	38,403,136	23,609,956	31,805,698	73,889,745	60,531,362	63,996,687	21,706,853	3,367,101
Operating fixed assets	35,225,865	168,681	337,361	506,041	1,012,083	2,024,165	2,024,165	4,048,330	10,120,825	14,984,214
Deferred tax assets	67,792	3,973	3,973	-	7,047	52,799	-	-	-	-
Other assets - net	34,480,303	8,645,130	11,131,593	1,665,821	4,052,645	5,483	25,399	8,954,232	-	-
	1,076,758,028	183,951,058	303,491,958	39,473,468	81,022,156	186,119,938	77,157,215	117,553,070	64,093,122	23,886,043
Liabilities										
Bills payable	13,291,328	13,291,328	-	-	-	-	-	-	-	-
Borrowings	77,438,993	45,322,590	10,576,988	15,332,339	3,127,287	3,079,789	-	-	-	-
Deposits and other accounts	795,689,546	752,207,458	13,863,308	10,448,201	17,134,046	213,556	1,143,994	678,983	-	-
Deferred tax liabilities	12,957,441	101,213	102,971	57,481	432,632	2,618,331	410,510	3,391,056	3,464,141	2,379,106
Other liabilities	31,420,650	12,611,432	3,609,142	6,461,478	2,652,923	3,404,911	374,209	709,206	1,597,349	-
	930,797,958	823,534,021	28,152,409	32,299,499	23,346,888	9,316,587	1,928,713	4,779,245	5,061,490	2,379,106
Net assets	145,960,070	(639,582,963)	275,339,549	7,173,969	57,675,268	176,803,351	75,228,502	112,773,825	59,031,632	21,516,937
Share capital	11,130,307									
Reserves	53,512,633									
Unappropriated profit	55,509,013									
Non-controlling interest	509,331									
Surplus on revaluation of assets - net of tax	25,298,786									
	145,960,070									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

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

2017

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	109,462,902	109,462,902	-	-	-	-	-	-	-	-
Balances with other banks	7,348,882	7,348,882	-	-	-	-	-	-	-	-
Lendings to financial institutions	5,273,524	5,273,524	-	-	-	-	-	-	-	-
Investments - net	660,070,246	164,901,838	232,922,302	23,107,109	70,189,616	61,589,298	44,299,850	42,654,163	15,949,831	4,456,239
Advances - net	500,965,801	95,593,636	68,929,356	33,000,648	18,491,616	73,413,946	75,034,430	87,015,708	41,651,107	7,835,354
Operating fixed assets	42,565,448	178,070	356,139	534,208	1,068,416	2,136,832	2,136,832	4,273,664	10,684,160	21,197,127
Deferred tax assets	3,524,718	-	-	-	3,524,718	-	-	-	-	-
Other assets - net	47,743,647	12,584,331	14,839,443	4,128,377	5,892,412	1,939	18,608	10,278,537	-	-
	1,376,955,168	395,343,183	317,047,240	60,770,342	99,166,778	137,142,015	121,489,720	144,222,072	68,285,098	33,488,720
Liabilities										
Bills payable	22,994,877	22,994,877	-	-	-	-	-	-	-	-
Borrowings	140,462,138	97,256,309	16,703,929	12,824,046	6,937,734	6,740,120	-	-	-	-
Deposits and other accounts	1,001,146,162	67,435,591	64,309,976	71,859,289	46,014,975	224,835,302	223,753,713	226,818,274	74,669,333	1,449,709
Sub-ordinated loan	3,892,578	-	-	779	779	1,557	1,557	3,887,906	-	-
Deferred tax liabilities	9,185,791	26,761	29,824	44,060	583,398	397,789	278,688	1,500,471	4,272,785	2,052,015
Other liabilities	42,730,541	15,684,460	3,526,216	5,377,320	4,221,383	4,774,297	437,133	982,415	7,727,317	-
	1,220,412,087	203,397,998	84,569,945	90,105,494	57,758,269	236,749,065	224,471,091	233,189,066	86,669,435	3,501,724
Net assets	156,543,081	191,945,185	232,477,295	(29,335,152)	41,408,509	(99,607,050)	(102,981,371)	(88,966,994)	(18,384,337)	29,986,996
Share capital	11,850,600									
Reserves	71,027,912									
Unappropriated profit	55,221,069									
Non-controlling interest	580,656									
Surplus on revaluation of assets - net of tax	17,862,844									
	156,543,081									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

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

	2016									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	75,732,185	-	-	-	-	-	-	-	-	-
Balances with other banks	7,201,459	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,809,752	2,809,752	-	-	-	-	-	-	-	-
Investments - net	556,770,384	42,230,128	253,615,895	13,691,650	44,144,683	110,147,746	14,576,289	40,553,821	32,265,444	5,544,728
Advances - net	364,470,288	67,853,993	84,102,563	34,012,002	55,951,299	44,727,453	29,913,760	33,082,178	11,459,939	3,367,101
Operating fixed assets	35,225,865	168,681	337,361	506,041	1,012,083	2,024,165	2,024,165	4,048,330	10,120,825	14,984,214
Deferred tax assets	67,792	3,973	3,973	-	7,047	52,799	-	-	-	-
Other assets - net	34,480,303	8,781,902	11,131,593	1,665,821	3,915,873	5,483	25,399	8,954,232	-	-
	1,076,758,028	204,782,073	349,191,385	49,875,514	105,030,985	166,957,646	46,539,613	86,638,561	53,846,208	23,896,043
Liabilities										
Billis payable	13,291,328	13,291,328	-	-	-	-	-	-	-	-
Borrowings	77,438,993	45,322,590	10,576,988	15,332,339	3,127,287	3,079,789	-	-	-	-
Deposits and other accounts	795,689,546	44,947,852	30,159,765	32,514,714	17,134,046	200,312,851	201,242,476	201,918,482	66,889,664	569,696
Deferred tax liabilities	12,957,441	101,213	102,971	57,481	432,632	2,618,331	410,510	3,391,056	3,464,141	2,379,106
Other liabilities	31,420,650	12,611,432	3,609,142	6,461,478	2,652,923	3,404,911	374,209	709,206	1,597,349	-
	930,797,958	116,274,415	44,448,866	54,366,012	23,346,888	209,415,882	202,027,195	206,018,744	71,951,154	2,948,802
Net assets	145,960,070	88,507,658	304,742,519	(4,490,498)	81,684,097	(52,458,236)	(155,487,582)	(119,380,183)	(18,104,946)	20,947,241
Share capital	11,130,307									
Reserves	53,512,633									
Unappropriated profit	55,509,013									
Non-controlling interest	509,331									
Surplus on revaluation of assets - net of tax	25,298,786									
	145,960,070									

Liquidity Gap Reporting

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity. Bank regularly conducts an objective and systematic behavioral study using regression analysis technique to ascertain the maturity of its non-contractual assets and liabilities. Core and non-core parts of the non-contractual assets and liabilities are segregated through the behavioral study. Non Core part is placed among the short term maturity buckets i.e. up to 1 Year based on the model results, whereas core part is distributed among the longer terms buckets based on the discussion and decision by the ALCO. Following percentages are used to distribute the core assets and liabilities among longer term buckets:

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2017

43.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Group's operational risk management framework, as laid down in the operational risk policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Group. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

Operational Risk Management helps the Group understand risks and improve mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Group. Going forward, the Group will further strengthen its risk function, policies and procedures to facilitate its operations and improve quality of assets to safeguard interest of depositors.

43.5.1 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 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.

44. GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Comparative information has been reclassified, rearranged in these consolidated financial statements for the purposes of better presentation. However, no significant reclassifications have been made in these consolidated financial statements.

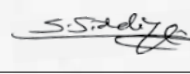
45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 15, 2018 has announced a final cash dividend in respect of the year ended December 31, 2017 of Rs. 4.00 per share (2016: Rs. 4.00 per share). These consolidated financial statements for the year ended December 31, 2017 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 15, 2018.


Imran Maqbool
President and Chief Executive


Salman Zafar Siddiqi
Chief Financial Officer


Samir Iqbal Saigol
Director


Muhammad Ali Zeb
Director


Irfan Ahmed Hashmi
Director

Annexure - I

1. Particulars of Investments in listed companies & mutual funds-available for sale

Investee Entities	Number of shares	Paid-up value per share	Total paid-up	Cost as at
				December 31, 2017
		(Rupees)	(Rupees in '000)	
Fully Paid-up Preference Shares				
Azgard Nine Limited	1,160,241	10	11,602	11,602
Aisha Steel Mills Limited	168,286	10	1,683	1,683
Masood Textile Mills Limited	5,000,000	10	50,000	50,000
Fully Paid-up Ordinary Shares				
Abbott Laboratories Limited	750,200	10	7,502	608,436
Agritech Limited	605,138	10	6,051	5,126
Aisha Steel Mills Limited	16,049,500	10	160,495	379,392
Al Shaheer Corporation Limited	3,127,500	10	31,275	178,793
Allied Bank Limited	5,325,400	10	53,254	589,058
Attock Petroleum Limited	26	10	0	13
Attock Refinery Limited	868,600	10	8,686	339,431
Bank Al-Habib Limited	28	10	0	1
The Bank of Punjab	24,843,231	10	248,432	298,119
Bestway Cement Limited	1,373,500	10	13,735	244,390
Crescent Steel And Allied Products Limited	3,968,400	10	39,684	683,949
Dolmen City REIT	15,879,804	10	158,798	174,678
Dawood Hercules Corporation Limited	4,069,300	10	40,693	551,615
Engro Corporation Limited	1,835,200	10	18,352	578,732
Engro Fertilizers Limited	10,302,500	10	103,025	827,594
Engro Foods Limited	84,600	10	846	11,154
Engro Polymer & Chemicals Limited	6,005,000	10	60,050	221,740
Engro Powergen Qadirpur Limited	4,966,000	10	49,660	177,866
Fatima Fertilizer Company Limited	11,877,500	10	118,775	451,189
Fauji Cement Company Limited	7,501,500	10	75,015	269,837
Fauji Fertilizer Company Limited	10,094,000	10	100,940	1,162,396
Fecto Cement Limited	3,039,700	10	30,397	297,915
Ferozsons Laboratories Limited	51,100	10	511	40,523
First Capital Mutual Fund	7,670	10	77	-
Gadoon Textile Mills Limited	360,500	10	3,605	97,696
General Tyre & Rubber Co. Of Pakistan	936,100	10	9,361	257,265
Ghandhara Nissan Ltd	1,805,700	10	18,057	491,849
Glaxosmithkline Pakistan Limited	2,596,700	10	25,967	583,648
Habib Bank Limited	1,247,000	10	12,470	339,582
Habib Metropolitan Bank	15,780,000	10	157,800	514,962
Hub Power Company Limited	100	10	1	11
Hum Network Limited	13,848,500	10	138,485	225,280
IGI Insurance Limited	1,474,700	10	14,747	529,211
Indus Motor Company Limited	65,080	10	651	110,869
International Industries Limited	500,000	10	5,000	171,209
International Steel Limited	2,961,500	10	29,615	417,145
K-Electric Limited	56,719,000	10	567,190	553,602
Kohinoor Textile Mills Limited	1,069,540	10	10,695	117,604
Kot Addu Power Company Limited	16,662,000	10	166,620	1,430,928
Loads Limited	3,058,550	10	30,586	156,665
Lucky Cement Company Limited	625,400	10	6,254	543,159
Maple Leaf Cement Factory limited	3,612,150	10	36,122	372,731
Mehr Dastagir Textile Mills Limited	1,616,912	10	16,169	16,169
Mughal Iron And Steel Industries Limited	598,500	10	5,985	42,492
National Bank of Pakistan	4,541,000	10	45,410	326,122
National Refinery Limited	899,100	10	8,991	641,968
Nestle Pakistan Limited	38,214	10	382	320,390
Next Capital Limited	4,360,500	10	43,605	38,784
Oil & Gas Development Company Limited	5,011,035	10	50,110	932,728
Packages Limited	961,400	10	9,614	673,909
Pak Electron Limited	5,769,625	10	57,696	476,603
Pak Suzuki Motor Company Limited	383,200	10	3,832	220,205
Pakistan National Shipping Corporation Limited	700	10	7	71
Pakistan Oilfields Limited	195	10	2	73
Pakistan Petroleum Limited	3,053,118	10	30,531	634,422
Pakistan Reinsurance Company Limited	4,257,000	10	42,570	177,632
Pakistan Telecommunication Company Limited	16,227,500	10	162,275	362,862
PICIC Growth Fund	43,482,858	10	434,829	1,304,486
PICIC Investment Fund	66,090,021	10	660,900	931,212
Pioneer Cement Limited	1,329,100	10	13,291	186,985
Rafhan Maize Products Company Limited	55,657	10	557	464,470
Saif Power Limited	15,350,000	10	153,500	540,398
Siemens (Pakistan) Engineering Company Limited	11,280	10	113	13,412
Sui Northern Gas Pipelines Limited	20,483,010	10	204,830	1,038,621
Sui Southern Gas Company Limited	9,357,000	10	93,570	374,188
Treet Corporation Limited	2,277,000	10	22,770	139,416
Trust Securities & Brokerage Limited	300,000	10	3,000	3,000
Unilever Pakistan Foods Limited	867	10	9	1,364
United Bank Limited	1,207,607	10	12,076	275,290
Carrying value before revaluation & provision				25,205,920
Provision for diminution in value of investments				(5,256,884)
Surplus on revaluation of securities				541,178
Market value as at December 31, 2017				20,490,214

Annexure - I

Fully Paid-up Ordinary Certificate/ Units of Mutual Funds	Name of Management Company	Number of Units held	Paid-up value per unit (Rupees)	Total paid-up/ nominal value (Rupees in '000)	Cost as at December 31, 2017
HBL Energy Fund	HBL Asset Management Limited	6,468,401	10	64,684	96,361
HBL Equity Fund	HBL Asset Management Limited	1,022,050	100	102,205	122,265
HBL Government Securities Fund	HBL Asset Management Limited	2,554,085	100	255,409	269,466
HBL Islamic Equity Fund	HBL Asset Management Limited	916,259	100	91,626	93,721
National Investments Trust	National Investment Trust Limited	110,602	50	5,530	5,253
Pakistan Pension Fund	MCB Arif Habib Savings & Investment Limited	805,305	100	80,531	102,113
Alhamra Islamic Pension Fund	MCB Arif Habib Savings & Investment Limited	876,129	100	87,613	108,787
MCB Pakistan Stock Market Fund	MCB Arif Habib Savings & Investment Limited	1,806,373	100	180,637	197,302
Carrying value before revaluation & provision					995,268
Provision for diminution in value of investments					(1,907)
Surplus on revaluation of securities					234,573
Market value as at December 31, 2017					1,227,934

2. Particulars of Investments - Held for trading

2.1 Particulars of Investments in Shares - Held for trading

	Number of shares	Paid-up value per share (Rupees)	Total paid up (Rupees in '000)	Cost as at December 31, 2017
Pak Elektron Limited	500,000	10	5,000	29,396
				29,396

2.2 Particulars of Investments in Units - Held for trading

	Name of Management Company	Number of shares	Paid-up value per share (Rupees)	Total paid-up (Rupees in '000)	Cost as at December 31, 2017
MCB Cash Management Optimizer	MCB Arif Habib Savings & Investment Limited	3,321,608	100	332,161	338,421
MCB Pakistan Stock Market Fund	MCB Arif Habib Savings & Investment Limited	557,576	100	55,758	49,672
					388,093

Annexure - I

3 Particulars of Investment held in unlisted companies-available for sale

Company Name	Percentage of holding (%)	Number of shares / certificates held	Cost as at December 31, 2017	Net Asset Value of total investment	Based on financial statements as at	Name of Chief Executive
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(Rupees in '000)

Shareholding more than 10%
**Fully paid up Ordinary Shares/
 Certificates/ Units**

Pak Asian Fund Limited	10.22%	1,150,000	11,500	19,530	30-Jun-17	Mr. Ashfaq Ahmed
National Investment Trust Limited	16.67%	158,400	1,027,651	2,158,061	30-Jun-17	Mr. Manzoor Ahmed
Central Depository Company of Pakistan Limited	15.00%	15,913,500	184,426	550,728	30-Jun-17	Mr. Aftab Ahmed Diwan
			1,223,577			

Shareholding upto 10%
**Fully paid up Ordinary Shares/
 Certificates/ Units**

First Capital Investment Limited		275,000	2,500	3,945	30-Jun-17	Mr. Syed Nadeem Hussain
First Women Bank Limited		23,095,324	63,300	212,247	30-Sep-17	Ms. Tahira Raza
ISE Towers REIT Management Company Limited		6,069,206	30,346	71,358	30-Jun-17	Mian Ayyaz Afzal
National Institute of Facilitation Technology PVT Ltd.		2,266,607	1,527	55,793	30-Jun-17	Mr. Haider Wahab
Pak Agro Storage And Service Corporation		2,500	2,500	570,946	31-Mar-17	Mr. Muhammad Khan Khichi
Arabian Sea Country Club*		500,000	5,000	-	30-Jun-15	Mr. Arif Ali Khan Abbasi
SME Bank Limited*		1,490,619	10,106	-	30-Sep-16	Mr. Ihsan ul Haq Khan
Al-Ameen Textile Mills Ltd.*		19,700	197	-	30-Jun-15	Not available
Custodian Management Services*		100,000	1,000	-	Not available	Not available
Galaxy Textile Mills Limited*		3,017,800	30,178	-	Not available	Not available
Pakistan Textile City (Pvt) Limited*		5,000,000	50,000	-	Not available	Not available
Ayaz Textile Mills Ltd.*		225,250	2,252	-	Not available	Not available
Musarrat Textile Mills Ltd.*		3,604,500	36,045	-	Not available	Not available
Sadiqabad Textile Mills Ltd.*		2,636,100	26,361	-	Not available	Not available
Al-Arabia Sugar Mills Limited - preference shares		477,555	4,776	-	Not applicable	Not available
Pak Elektron Limited-Preference shares		2,500,000	25,000	-	Not applicable	Mr. Muhammad Murad Saigol
Society for Worldwide Inter Fund Transfer (SWIFT)		27	4,663	13,466	31-Dec-16	Mr. Gottfried Leibbrandt
LankaClear (Private) Limited		100,000	720	7,540	31-Mar-17	Mr. Channa de Silva
Credit Information Bureau of Srilanka		3,000	21	34,296	31-Dec-16	Mr. K. A. Janka Lakmal
Lanka Financial Services Bureau Limited		100,000	720	1,114	31-Mar-17	Mr. Mihindu Rajaratne
			297,212			

Cost of unlisted shares/ certificates/ units **1,520,789**

Provision against unlisted shares **(161,141)**

Carrying value of unlisted shares/ certificates/ units **1,359,648**

* These are fully provided unlisted shares.

4 Particulars of investments in Term Finance Certificates - (refer note 9)

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2017	Name of Chief Executive
						(Rupees)	
Term Finance Certificates - Available for sale							
Bank Al-Habib Ltd	53,000	5,000	265,000,000	6 months KIBOR plus 0.75% p.a.	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each	264,841	Mr. Mansoor Ali khan
Habib Bank Limited	3,000	100,000	300,000,000	6 Month KIBOR +0.50% p.a.	0.02% of the Issue Amount semi-annually during the first 108 months after the Issue Date and the remaining Issue Amount of 99.64% in two equal semiannual installments in the 114th and 120th month.	300,553	Mr. Raymond Kotwal
Summit Bank	10,000	5,000	50,000,000	6 months KIBOR + 3.25% p.a.	0.3% of the issue amount in 1st 78 months and the remaining 99.70% of the issue amount in 84th month.	50,062	Mr. Muhammad Zahir Ismail
						615,456	
Term Finance Certificates - Held to maturity							
Bank Alfalah Limited - issue no. V	96,442	5,000	482,210,000	6 months KIBOR + 1.25% p.a.	0.3% of the principal will be redeemed in the first 90 months and remaining principal of 99.70% at maturity in the 96th month	481,342	Mr. Nauman Ansari
Bank Al Habib Limited- - issue no. V	107,000	5,000	535,000,000	6 Month KIBOR +0.75% p.a.	6th-108th month: 0.36%; 114th and 120th month: 49.82% each	534,679	Mr. Mansoor Ali Khan
Bank Al Habib Limited- - PPTFC	210,000	5,000	1,050,000,000	6 Month KIBOR + 1.50% p.a.	Perpetual	1,050,000	Mr. Mansoor Ali Khan
Askari Bank Limited - issue no. V	120,000	5,000	600,000,000	6 Month KIBOR + 1.20% p.a.	0.36% of principal amount in the first 108 months and remaining principal in 2 equal semi annual installments of 49.82% each.	599,280	Syed Majeedullah Husaini
Habib Bank Limited	15,000	100,000	1,500,000,000	6 Month KIBOR +0.50% p.a.	0.02% of the Issue Amount semi-annually during the first 108 months after the Issue Date and the remaining Issue Amount of 99.64% in two equal semiannual installments in the 114th and 120th month.	1,499,100	Mr. Raymond Kotwal
The Bank of Punjab	2,020	100,000	202,000,000	6 Month KIBOR + 1% p.a.	0.02% of issue amount per semiannual period in the first 09 years and remaining in the two equal semiannual installment of 49.82% each in the 10th year	201,919	Mr. Naeemuddin Khan
U-Microfinance Bank	18,000	5,000	90,000,000	6 Month KIBOR + 3.50% p.a.	The principal will be redeemed in 4 equal semi annual installments falling on the last leg of the security's tenor (7 years).i.e. the 66th, 72nd, 78th and 84th month from the Issue Date.	90,000	Syed Umar Waqar
Finca Microfinance Bank Ltd	2,420	100,000	242,000,000	3 Month KIBOR + 1.50% p.a.	16 equal quarterly installments starting from 15th month	241,667	Mr. M. Mudassar Aqil
Arabia Sugar Mill	30,000	5,000	150,000,000	6 Month KIBOR + 0.2% p.a.	10 years including grace period of 18 Months.	150,000	
Carrying value of TFCs - HTM						4,847,987	

The above excludes unlisted term finance certificates, debentures, bonds and participation term certificates of companies which are fully provided for in these unconsolidated financial statements.

Annexure - I

5 Details of Bonds, Debentures and Federal Government Securities (refer note 9)

Description	Terms of Redemption		Rate of interest	Currency	Base Currency Amount ('000)	Carrying value as at December 31, 2017 (Rupees in '000)
	Principal	Interest				
Sukuks Bonds - available for sale						
Liberty Power Tech Limited	At maturity	Quarterly	3 months KIBOR + 3%	PKR	262,090	262,090
Meezan Bank Limited	At maturity	Half-yearly	6 months KIBOR + 0.5%	PKR	354,000	844,000
Central Bank Bahrain International Sukuks	At maturity	Half-yearly	5.07%	US\$	505	55,795
Central Bank Bahrain International Sukuks	At maturity	Half-yearly	5.09%	US\$	505	55,719
GOP Ijarah Sukuk - 16	At maturity	Half-yearly	6 months T-Bill minus 0.5%	PKR	1,145,326	1,145,326
GOP Ijarah Sukuk - 17	At maturity	Half-yearly	Fixed Rate	PKR	1,817,739	1,817,739
GOP Ijarah Sukuk - 18	At maturity	Half-yearly	Fixed Rate	PKR	963,171	963,171
GOP Ijarah Sukuk - 19	At maturity	Half-yearly	Fixed Rate	PKR	1,704,261	1,704,261
WAPDA III Sukuk Certificates	At maturity	Half-yearly	6 months KIBOR + 1%	PKR	115,063	115,063
Fatima Fertilizer Company Limited	At maturity	Half-yearly	6 months KIBOR + 1.1%	PKR	300,000	300,000
Dubai Islamic Bank Pakistan Limited	At maturity	Half-yearly	6 months KIBOR + 0.5%	PKR	129,000	129,000
AlBaraka Bank Pakistan Limited	At maturity	Half-yearly	6 months KIBOR + 0.75%	PKR	100,000	100,000
						7,492,164
Sukuks Bonds - available for sale						
Quetta Textile Mills Limited Sukuk Bonds	At maturity	Half-yearly	6Month KIBOR+1.50%	PKR	36,310	36,310
Government of Pakistan Sukuks	At maturity	Half-yearly	6.75%	USD	1,026	113,261
Meezan Bank Limited	At maturity	Half-yearly	6 months KIBOR + 0.5%	PKR	755,000	755,000
K-Electric Limited	At maturity	Quarterly	3 months KIBOR + 1%	PKR	1,035,000	1,035,000
						1,939,571

6 Details of Bonds, Debentures and Federal Government Securities (refer note 9) - held to maturity

Debentures						
Bank of Ceylon	At maturity	Half-yearly	6 Month Gross T Bill Rate + 1.25%	LKR	350,000	251,930
Sampath Bank	At maturity	Half-yearly	13.40%	LKR	64,610	46,506
NDB Bank	At maturity	Half-yearly	13.40%	LKR	62,760	45,175
NDB Bank	At maturity	Half-yearly	9.40%	LKR	180,000	129,564
Siyapatha Finance Limited	At maturity	Half-yearly	8.90%	LKR	100,000	71,980
						545,155
Development Bonds						
Government of Sri Lanka	At maturity	Half-yearly	5.74%	LKR	922,500	664,016
Euro Bonds						
Islamic Republic of Pakistan - 2019 - Eurobond	At maturity	Half-yearly	7.25%	US\$	816	90,061
Islamic Republic of Pakistan - 2025 - Eurobond	At maturity	Half-yearly	8.250%	US\$	2,051	226,435
						316,496
Certificates of Deposits						
Central Bank of UAE	At maturity	At maturity	1.22% - 1.25%	AED	80,000	2,404,784

7 Summarized financial information of a subsidiary with significant Non-controlling Interest

Details of the Bank's subsidiary companies are as follows:

Key financial information before intra group eliminations

	2017	2016
	(Rupees in '000)	
Assets	2,112,904	2,238,090
Liabilities	660,653	614,529
Net Assets	1,452,251	1,623,561
Income (Mark-up & Non-Markup)	673,611	623,433
Expenses (including provisions)	499,814	395,048
Profit for the year	173,797	228,385

8 Summarized financial information of associated undertakings (refer note 9)

The gross amount of assets, liabilities, revenue, profit and net assets of associated undertakings are as follows:

Name of associated undertaking	Country of incorporation	Assets	Liabilities	Net assets	Revenue	Profit / (loss) after tax	% of interest held
2017							
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2017)	Pakistan	406,238	170,782	235,456	374,477	(8,137)	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2017)	Pakistan	42,659,292	25,418,957	17,240,335	8,721,010*	1,634,893	21.47%
2016							
Euronet Pakistan (Private) Limited (audited based on December 31, 2016)	Pakistan	425,001	181,408	243,593	310,866	27,348	30.00%
Adamjee Insurance Company Limited (unaudited based on December 31, 2016)	Pakistan	38,579,911	21,579,308	17,000,603	9,615,381*	3,492,944	24.48%

* Represents net premium revenue

MCB ISLAMIC BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	3,390,753	1,509,804
Balances with other banks	2,703,251	2,750,998
Due from financial institutions	1,400,000	-
Investments - net	9,186,213	5,769,675
Islamic financing and related assets - net	31,472,935	16,172,727
Operating fixed assets	2,622,993	2,104,250
Deferred tax assets - net	289,465	-
Other assets - net	705,156	261,048
	51,770,766	28,568,502
LIABILITIES		
Bills payable	314,210	447,776
Due to financial institutions	7,926,790	2,785,650
Deposits and other accounts	32,690,808	14,279,436
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	40,524
Other liabilities	1,208,179	749,243
	42,139,987	18,302,629
NET ASSETS	9,630,779	10,265,873
REPRESENTED BY		
Share capital	10,000,000	10,000,000
Reserves	26,444	26,444
(Accumulated loss) / unappropriated profit	(194,065)	68,087
	9,832,379	10,094,531
(Deficit) / surplus on revaluation of assets - net of tax	(201,600)	171,342
	9,630,779	10,265,873
Remuneration of Shariah Advisor/Board	7,369	6,450
Charity Fund		
Opening balance	10,580	2,505
Additions during the year		
- Received from customers against late payment	7,406	6,002
- Dividend purification amount	592	4,608
- Profit on charity saving account	135	65
	8,133	10,675
Charity paid during the year / period	(13,200)	(2,600)
Closing balance	5,513	10,580

Annexure - II

MCB ISLAMIC BANK LIMITED
Notes to the annexure II
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	(Rupees in '000)	
A.II - 1 ISLAMIC FINANCING AND RELATED ASSETS - NET		
In Pakistan		
Murabaha financing	5,078,311	2,719,939
Inventory held under Murabaha	4,513,090	4,987,296
Advances against Murabaha	421,318	804,071
Murabaha under Islamic Export Refinance Scheme	101,575	87,003
Advances against Murabaha under Islamic Export Refinance Scheme	-	299,650
Diminishing Musharaka	8,903,262	4,392,900
Advances against Diminishing Musharaka	1,248,246	1,222,733
Running Musharaka financing	8,009,283	-
Running Musharaka financing under Islamic Export Refinance Scheme	806,700	-
Net book value of assets in Ijarah under IFAS 2	1,484,260	1,243,897
Advances against Ijarah	139,249	42,508
Advances against Istisna under Islamic Export Refinance Scheme	100,000	-
Staff finance	668,860	374,004
Islamic financing and related assets - gross	31,474,154	16,174,001
Provision against non performing Islamic financing and related assets	(1,219)	(1,274)
Islamic financing and related assets - net of provision	31,472,935	16,172,727

MCB ISLAMIC BANK LIMITED
PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	(Rupees in '000)	
Profit / return earned	2,060,927	1,526,778
Profit / return expensed	1,005,671	576,544
Net spread earned	1,055,256	950,234
Reversal of provision against non-performing Islamic financing and related assets - net	(55)	(94,137)
Provision for diminution in the value of investments - net	-	-
Bad debts written off directly	-	-
	(55)	(94,137)
Net spread after provisions	1,055,311	1,044,371
Other income		
Fee, commission and brokerage income	46,325	34,678
Dividend income	84,593	58,802
Income from dealing in foreign currencies	29,846	17,322
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-
Gain on sale of securities - net	267,763	137,370
Other income	10,483	10,992
Total other income	439,010	259,164
	1,494,321	1,303,535
Other expenses		
Administrative expenses	1,845,119	1,187,266
Other provision - net	1	-
Other charges	128	2,296
Total other expenses	1,845,248	1,189,562
Extra ordinary / unusual items	-	-
(Loss) / Profit before taxation	(350,927)	113,973
Taxation		
- Current	(31,249)	(17,859)
- Prior periods	(4,488)	(4,866)
- Deferred	123,667	(11,331)
	87,930	(34,056)
(Loss) / Profit after taxation	(262,997)	79,917

Annexure - II

MCB ISLAMIC BANK LIMITED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(350,927)	113,973
Less: Dividend income	(84,593)	(58,802)
	(435,520)	55,171
Adjustments for non-cash and other items		
Depreciation - Owned assets	112,069	51,955
Depreciation - Ijarah assets	458,125	466,708
Amortization	29,695	15,699
Reversal of provision against non-performing Islamic financing and related assets - net	(55)	(94,137)
Provision for diminution in the value of investments - net	-	-
Other assets written off	1	-
Provision for Workers' Welfare Fund	-	2,279
Unrealized gain on forward exchange contracts - net	(2,196)	-
Loss on sale of fixed assets - net	20	-
Gain on sale of securities - net	(267,763)	(137,370)
	329,896	305,134
	(105,624)	360,305
(Increase) / decrease in operating assets		
Due from financial institutions	(1,400,000)	-
Islamic financing and related assets	(15,758,278)	(4,071,501)
Other assets - net	(451,956)	(48,807)
	(17,610,234)	(4,120,308)
Increase / (decrease) in operating liabilities		
Bills payable	(133,566)	357,912
Due to financial institutions	5,141,140	2,154,130
Deposits and other accounts	18,411,372	4,829,364
Other liabilities	442,137	(84,381)
	23,861,083	7,257,025
	6,145,225	3,497,022
Income tax paid	(14,798)	(62,076)
Net cash generated from operating activities	6,130,427	3,434,946
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in securities	(7,158,297)	(1,185,531)
Dividend income received	73,697	56,834
Proceeds from sale of available for sale securities	3,418,163	1,590,684
Payment against demerger scheme	-	(5,901,988)
Proceeds from sale of fixed assets	1,771	-
Investment in operating fixed assets	(632,559)	(779,725)
Net cash used in investing activities	(4,297,225)	(6,219,726)
Increase / (decrease) in cash and cash equivalents during the year	1,833,202	(2,784,780)
Cash and cash equivalents at the beginning of the year	4,260,802	7,045,582
Cash and cash equivalents at the end of the year	6,094,004	4,260,802

Disposal of operating fixed assets (refer note 11.2.3)

Description	Cost/ revalued amount	Accumulated depreciation	Book value	Sales proceeds /insurance claim	Mode of disposal /settlement	Particulars of buyers	Location
	(Rupees in '000)						
Furniture and fixture, electrical, computers, software and office equipment							
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000							
	7,992	6,758	1,234	1,374	Claim	Adamjee Insurance Company	Karachi
	10,009	7,975	2,034	2,185	Sale	MCB Islamic Bank	Lahore
	6,428	6,428	-	15	Bidding/Quotation	Mr. M. Irfan	Sri Lanka
	8,353	8,353	-	11	Bidding/Quotation	Mr. M. H. M. Usman	Sri Lanka
	32,782	29,514	3,268	3,585			
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000							
	714,265	712,642	1,623	4,954	Quotation	Different Buyers	Various
Vehicles							
Toyota Fortuner	7,560	6,048	1,512	2,919	Auction	Khurram Imtiaz	Lahore
Toyota Corolla	1,847	517	1,330	1,587	Claim	Adamjee Insurance Company	Karachi
Honda Accord	4,011	3,209	802	2,060	Auction	Tesoro Ventures	Lahore
Suzuki Cuitus	1,055	352	703	900	Claim	Adamjee Insurance Company	Karachi
Suzuki Cuitus	1,077	460	617	695	Auction	Umar Khawar	Lahore
Suzuki Cuitus	1,059	480	579	845	Claim	Adamjee Insurance Company	Karachi
Suzuki Cuitus	1,046	558	488	703	Auction	Umar Khawar	Lahore
Suzuki Jimmy Jeep	1,939	1,551	388	1,125	Auction	Asghar Mashi	Lahore
Honda Civic	1,869	1,495	374	374	Sale to Employee	Ahmad Kareem	Karachi
Suzuki Cuitus	950	582	368	677	Auction	Naveed M Hanif	Karachi
Toyota Corolla	1,606	1,285	321	1,140	Auction	Rashid Wahid	Lahore
Toyota Corolla	1,507	1,206	301	1,128	Auction	Usman Khawar	Lahore
Toyota Corolla	1,505	1,204	301	1,122	Auction	Adnan Naseer Ahmed	Lahore
Toyota Corolla	1,472	1,177	295	1,056	Auction	Sajid Mehmood Siddiqui	Lahore
Toyota Corolla	1,413	1,131	282	1,000	Auction	Adnan Naseer Ahmed	Lahore
Toyota Corolla	1,815	290	1,525	1,492	Claim	Adamjee Insurance Company	Quetta
	31,731	21,545	10,186	18,823			
Other Vehicles having book value of less than Rs. 250,000 or cost Rs. 1,000,000							
	17,074	13,711	3,363	11,033			
	795,852	777,412	18,440	38,395			

Branch Network

As of December 31, 2017

Retail Banking Group - South

Circle	No. of Branches	No. of Sub Branches	Region	No. of Branches	No. of Sub Branches
Karachi City	46	-	Karachi City	21	-
			Karachi North	25	-
Karachi East	45	-	Karachi East	22	-
			Karachi South	23	-
Karachi West	42	01	Karachi Central	21	1
			Karachi West	21	-
Hyderabad	71	01	Hyderabad	27	-
			Mirpurkhas	23	1
			Nawabshah	21	-
Quetta	44	02	Makran	11	1
			Quetta	33	1
Bahawalpur	98	-	Bahawalpur	26	-
			Bahawalnagar	17	-
			Rahim Yar Khan	31	-
			Vehari	25	-
Multan	103	1	Dera Ghazi Khan	19	-
			Multan	26	1
			Muzaffargarh	17	-
			Okara	20	-
			Sahiwal	21	-
Sukkur	70	-	Larkana	22	-
			Naushero Feroze	22	-
			Sukkur	26	-
Total RBG - South	519	5		519	5

Retail Banking Group - North

Lahore West	51	-	Lahore Central	25	-
			Lahore City	26	-
Lahore East	60	1	Lahore East	32	-
			Lahore West	28	1
Faisalabad	107	1	Faisalabad	25	-
			Faisalabad City	27	1
			Sheikhupura	30	-
			Toba Tek Singh	25	-
Gujranwala	104	1	Gujranwala	29	1
			Gujrat	21	-
			Mandi Bahauddin	19	-
			Sialkot	35	-
Sargodha	92	1	Jhang	28	1
			Mianwali	30	-
			Sargodha	34	-
Islamabad	63	2	Islamabad	32	-
			Rawalpindi	31	2
			Chakwal	26	-
Jhelum	87	0	Jhelum	24	-
			Mirpur A. K.	18	-
			Muzaffarabad A. K.	19	-
Peshawar	83	1	Kohat	23	-
			Mardan	21	-
			Peshawar East	20	1
			Peshawar West	19	-
Abbottabad	78	0	Abbottabad	24	-
			Attock	20	-
			Fateh Jang	15	-
			Swat	19	-
Total RBG - North	725	7		725	7

Ex-NIB Branches

	No. of Branches
R-80	80
M-90	90
Total	170

Branch Network

As of December 31, 2017

		No. of Branches
Privilege Banking		09
Corporate Finance Banking Branches		10
Overseas Operation		
No.	Branch	No. of Branches
1.	Batticaloa	1
2.	Colombo	1
3.	EPZ	1
4.	Galle	1
5.	Kandy	1
6.	Kollupitiya	1
7.	Maradana	1
8.	Offshore Banking Unit (OBU) - Bahrain	1
9.	Pettah	1
10.	Wellawatte	1
11.	Wholesale Banking Branch Dubai	1
TOTAL		11
Dubai (Rep. Office)		1

Group-Wise				
Group	Circles	Regions	No. of Branches	No. of Sub-Brs.
RBG-South	8	23	519	5
RBG-North	9	29	725	7
R-80 (ex-NIB)	-	-	80	-
M-90 (ex-NIB)	-	-	90	-
Privilege Banking	-	-	9	-
Wholesale Banking	4	6	10	-
Domestic Total	21	58	1,433	12
Overseas	-	-	10	-
EPZ	-	-	1	-
Grand Total	21	58	1,444	12

Province-Wise			
Provinces/Territories/AJK	Branches	Sub-Brs.	Total
Azad Jammu & Kashmir	31	-	31
Balochistan	49	2	51
Federal Capital Territory	41	1	42
Federally Administered Tribal Areas (FATA)	7	-	7
Gilgit-Baltistan	4	-	4
Khyber Pakhtunkhwa	133	1	134
Punjab	823	6	829
Sindh	345	2	347
Domestic Total	1,433	12	1,445
Overseas	10	-	10
EPZ	1	-	1
Grand Total	1,444	12	1,456

Pattern of Shareholding

As of December 31, 2017

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
29,776	1	100	940,770	0.0794%
14,385	101	500	3,505,061	0.2958%
5,982	501	1,000	4,436,536	0.3744%
8,005	1,001	5,000	13,907,703	1.1736%
433	5,001	10,000	3,116,103	0.2629%
435	10,001	50,000	10,136,978	0.8554%
101	50,001	100,000	7,248,229	0.6116%
151	100,001	500,000	36,797,907	3.1052%
45	500,001	1,000,000	33,188,609	2.8006%
62	1,000,001	5,000,000	130,634,058	11.0234%
6	5,000,001	10,000,000	37,957,066	3.2030%
2	10,000,001	15,000,000	26,996,447	2.2781%
4	15,000,001	25,000,000	71,929,692	6.0697%
12	25,000,001	Above	804,264,847	67.8670%
59,399			1,185,060,006	100.0000%

Categories of Shareholders

As of December 31, 2017

Particulars	No. of Shareholders	No. of Shares	Percentage
Directors, CEO, Spouses & Minor Children	15	121,849,283	10.2821%
Associated Companies	7	380,534,820	32.1110%
NIT & ICP	2	471,747	0.0398%
Banks, DFI & NBFI	32	8,757,855	0.7390%
Insurance Companies	22	85,497,923	7.2146%
Mutual Funds	55	11,188,255	0.9441%
Public Sector Cos. & Corp.	2	20,187	0.0017%
General Public (Local)	53,773	141,869,685	11.9715%
General Public (Foreign)	4,842	3,596,655	0.3035%
Foreign Companies	273	229,927,818	19.4022%
Others	368	201,341,298	16.9900%
Modarabas	8	4,480	0.0004%
Total	59,399	1,185,060,006	100.0000%

Pattern of Shareholding under Code of Corporate Governance

As of December 31, 2017

Associated Companies, Undertakings and Related Parties:

Maybank International Trust (Labuan) Berhad	222,606,147
Nishat Mills Limited	88,015,291
Adamjee Insurance Company Limited	47,159,787
Siddiqsons Limited	14,276,462
Din Leather (Pvt) Limited	6,789,633
Adamjee Life Assurance Company Limited - IMF	1,668,500
Adamjee Life Assurance Company Limited - DGF	19,000
Nishat Mills Limited Employees Provident Fund Trust	8,284,390
Trustee - MCB Provident Fund Pak Staff	33,966,060
Trustee - MCB Employees Pension Fund	17,770,922
Trustees of Adamjee Insurance Company Limited Employees Provident Fund	73,577
Trustee, Nishat (Chunian) Limited Employees Provident Fund	8,857
Pakistan Income Fund	2,000
Pakistan Income Enhancement Fund	5,000
MCB Pakistan Asset Allocation Fund	150,100
Pakistan Capital Market Fund	82,600
MCB Pakistan Stock Market Fund	1,409,800
Trustee Pakistan Tobacco Company Limited - Employees Provident Fund	35,500
Pakistan Tobacco Company Limited Employees Gratuity Fund	74,500
Trustee Pakistan Tobacco Company Limited Management Provident Fund	48,500
Trustee Pakistan Tobacco Company Limited Staff Pension Fund	333,000
Trustee Pakistan Tobacco Company Limited Staff Defined Contribution Pension Fund	20,000

Mutual Funds:

Safeway Fund (Pvt) Limited	1,665
Pak Asian Fund Limited	162
Safeway Mutual Fund Limited	4
Golden Arrow Selected Stocks Fund Limited	15
Prudential Stocks Funds Limited	233
M/S. Safeway Mutual Fund Limited	12
M/S. Asian Stock Fund Limited	4
PICIC Benovelent Fund-2	29
CDC - Trustee MCB Pakistan Stock Market Fund	1,409,800
MCBFSL - Trustee JS Value Fund	110,900
CDC - Trustee Pakistan Capital Market Fund	82,600
CDC - Trustee PICIC Investment Fund	592,500
CDC - Trustee JS Large Cap. Fund	35,000
CDC - Trustee PICIC Growth Fund	1,120,900
CDC - Trustee Atlas Stock Market Fund	707,000
CDC - Trustee First Dawood Mutual Fund	17,500
CDC - Trustee Faysal Balanced Growth Fund	2,500
CDC - Trustee Alfalah GHP Value Fund	296,400
CDC - Trustee Unit Trust of Pakistan	199,600
CDC - Trustee AKD Index Tracker Fund	93,228
Tri. Star Mutual Fund Limited	754
CDC - Trustee Faysal Asset Allocation Fund	22,500
CDC - Trustee UBL Stock Advantage Fund	900
CDC - Trustee NAFA Stock Fund	1,135,500
CDC - Trustee NAFA Multi Asset Fund	164,400
CDC - Trustee Askari Asset Allocation Fund	7,000

Pattern of Shareholding under Code of Corporate Governance

As of December 31, 2017

CDC - Trustee APF-Equity Sub Fund	50,000
CDC - Trustee JS Pension Savings Fund - Equity Account	10,000
CDC - Trustee HBL - Stock Fund	770,100
MC FSL - Trustee JS Growth Fund	246,600
CDC - Trustee HBL Multi - Asset Fund	33,300
CDC - Trustee MCB Pakistan Asset Allocation Fund	150,100
CDC - Trustee Alfalah GHP Stock Fund	391,100
CDC - Trustee Alfalah GHP Alpha Fund	256,200
CDC - Trustee NIT-Equity Market Opportunity Fund	800,176
CDC - Trustee ABL Stock Fund	1,069,800
CDC - Trustee First Habib Stock Fund	23,870
CDC - Trustee Lakson Equity Fund	638,452
CDC - Trustee NAFA Asset Allocation Fund	210,800
CDC - Trustee Pakistan Income Enhancement Fund - MT	5,000
CDC - Trustee PICIC Stock Fund	43,500
CDC - Trustee HBL PF Equity Sub Fund	57,700
CDC - Trustee Askari Equity Fund	50,000
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	7,000
CDC - Trustee First Capital Mutual Fund	20,000
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	119,100
CDC - Trustee ABL Pension Fund - Equity Sub Fund	15,800
CDC - Trustee NAFA Income Opportunity Fund - MT	100
CDC - Trustee PIML Value Equity Fund	20,000
CDC - Trustee First Habib Income Fund - MT	5,900
CDC -Trustee NITPF Equity Sub-Fund	25,000
CDC - Trustee PIML Asset Allocation Fund	30,000
CDC - Trustee Faysal MTS Fund - MT	2,400
CDC - Trustee Lakson Tactical Fund	133,151
CDC - Trustee Pakistan Income Fund - MT	2,000

Directors, Their Spouse(S) And Minor Children:

Mian Mohammad Mansha	7,834
Naz Mansha	6,424,057
S. M. Muneer	2,059
Saeeda Parveen	2,147,186
Tariq Rafi	32,191,004
Mrs. Nighat Tariq	5,715,093
Shahzad Saleem	902
Mian Umer Mansha	31,986,378
Iqraa Hassan Mansha	8,000
Mian Hassan Mansha	43,363,671
Ahmad Alman Aslam	665
Muhammad Ali Zeb	550
Mohd Suhail Amar Suresh Bin Abdullah	884
Irfan Ahmad Hashmi	500
Samir Iqbal Saigol	500

Pattern of Shareholding under Code of Corporate Governance

As of December 31, 2017

Executives	21,011
Public Sector Companies And Corporations:	20,187
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas And Pension Funds:	94,260,258
Shareholders Holding Five Percent (5%) Or More:	
Maybank International Trust (Labuan) Berhad	222,606,147
D. G. Khan Cement Company Limited	102,277,232
Nishat Mills Limited	88,015,291
Bugis Investments (Mauritius) Pte Ltd	65,020,947

All trades in shares carried out by Directors, CEO, CFO, Company Secretary, Executives, their Spouse(s) and Minor Children during the year 2017 are given as under:

Name	Status	No. of Shares	Purchase/ Sale/Transfer
Samir Iqbal Saigol	Director	500	Purchased
Tariq Rafi	Director	175,000	Purchased
Mrs. Saeeda Parveen	Director's Spouse	280,800	Sold

Notice of 70th Annual General Meeting

Notice is hereby given that 70th Annual General Meeting of **MCB Bank Limited** ("the Bank") will be held on **Tuesday, March 27, 2018 at 11:00 AM (PST)** at Grand Ball Room-D, The Nishat Hotel, Trade and Finance Center Block, Near Expo Center, Abdul Haq Road, Johar Town, Lahore to transact the following business:

1. To receive, consider and adopt the Annual Audited Separate and Consolidated Financial Statements of the Bank together with the Directors' and Auditors' reports thereon and Chairman's Review for the year ended December 31, 2017.
2. To appoint auditors of the Bank and fix their remuneration. 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 auditors of the Bank.
3. To approve, as recommended by the Board of Directors, payment of Final Cash Dividend @ 40% i.e., PKR 4.00 per share in addition to 120% (40% each for 1st, 2nd and 3rd quarter) Interim Cash Dividends already declared and paid, total PKR 16.00 per share (i.e., 160%) for the year ended December 31, 2017.
4. To elect twelve (12) Directors of the Bank as fixed by its Board of Directors under Section 159(1) of the Companies Act, 2017 for a period of next three (3) years commencing from March 27, 2018. The following are names of retiring directors who are eligible for re-election:
 - i. Mian Mohammad Mansha.
 - ii. Mr. S. M. Muneer.
 - iii. Mr. Muhammad Tariq Rafi.
 - iv. Mr. Shahzad Saleem.
 - v. Mian Umer Mansha.
 - vi. Mrs. Iqraa Hassan Mansha.
 - vii. Mr. Samir Iqbal Saigol.
 - viii. Mr. Ahmad Alman Aslam.
 - ix. Mr. Muhammad Ali Zeb.
 - x. Mr. Mohd Suhail Amar Suresh bin Abdullah.
 - xi. Mr. Irfan Ahmed Hashmi.
 - xii. Mr. Nor Hizam Bin Hashim.

By Order of the Board,

-Sd-

FIDA ALI MIRZA
Company Secretary

March 05, 2018
Lahore.

Statement under Section 166(3) of the Companies Act, 2017 pertaining to election of the Board of Directors is annexed to the Notice of Annual General Meeting circulated to the Members.

Notice of 70th Annual General Meeting

Notes:

1. The Shares Transfer Books of MCB Bank Limited (“the Bank”) will remain closed from **March 20, 2018 to March 27, 2018** (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 19, 2018** 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 70th Annual General Meeting (“Meeting” or “AGM”) of the Bank.
2. A member entitled to attend and vote at AGM is entitled to appoint another member as a proxy to attend and vote on his/her behalf. A corporate entity, being a member, may appoint as its proxy any of its official or any other person whether a member of the Bank or not.
3. The instrument appointing a proxy and in case of corporate entity, the power of attorney or resolution of the board of directors or other authority (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 before the time for holding the Meeting, and must be duly stamped, signed and witnessed.
4. Members are requested to immediately notify the change, if any, in their registered addresses to the Share Registrar and Transfer Agent of the Bank.
5. Central Depository Company of Pakistan (“CDC”) Accountholders will further have to follow the under mentioned guidelines as laid down by Circular No. 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

For Attending the Meeting:

- i. In case of individuals, the accountholder or sub-accountholder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (“CNIC”) or original passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board of Directors’ resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For Appointing of Proxies:

- i. In case of individuals, the accountholder or sub-accountholder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.
6. A Proxy Form, both in English and Urdu language, is being separately sent to the members, along with Notice of AGM. Pursuant to the provisions of the Act, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Bank to provide the facility of video-link for participating in AGM. The demand for video-link facility shall be received by the Company Secretary at the Registered Office of the Bank located at MCB Building, 15-Main Gulberg, Jail Road, Lahore, at least 07 days prior to the date of AGM on the Standard Request Form which is available on the Bank’s website.
 7. Copies of the Notice of AGM, the latest annual audited/quarterly financial statements and the Memorandum and Articles of Association of the Bank have been kept at the Registered Office of the Bank which can be obtained and/or

Notice of 70th Annual General Meeting

inspected during the business hours on any working day from the date of publication of this Notice till the conclusion of the AGM by the members and other persons entitled to attend the Meeting. Notice of 70th AGM and the latest annual audited/quarterly financial statements have also been placed on website of the Bank: www.mcb.com.pk

STATEMENT UNDER SECTION 166 (3) OF THE COMPANIES ACT, 2017 IN RESPECT OF ELECTION OF DIRECTORS

The term of office of the present Board of Directors of the Bank will expire on March 27, 2018. In terms of Section 159 (1) of the Companies Act, 2017, ("Act") the Board of Directors in its Meeting held on February 15, 2018 has fixed the number of elected directors at twelve (12) to be elected in the 70th Annual General Meeting ("AGM") of the Bank for the period of next three years.

The present Directors are interested to the extent that they are eligible for re-election as Directors of the Company.

Any person who seeks to contest the election to the office of a Director, whether he is retiring director or otherwise, shall file the following documents with the Company Secretary at the Registered Office of the Bank located at MCB Building, 15-Main Gulberg, Jail Road, Lahore, not later than fourteen days before the date of AGM:

- a) Notice of his/her intention to offer him/herself for the election of directors in terms of Section 159(3) of the Act together with the consent to act as a director of the Bank in Form 28 prescribed under the Act;
- b) A detailed profile along with office address as required under SECP's SRO 634 (I)/2014 dated July 10, 2014.
- c) Declaration under Clause 3 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("Regulations") issued by the Securities and Exchange Commission of Pakistan ("SECP");
- d) Declaration by Independent Director under Clause 6(2) of the Regulations;
- e) Declaration that he/she is not ineligible to become a director of MCB Bank in terms of Section 153 of the Act; and
- f) Annexure-I ("FPT Performa") and Annexure-II ("Affidavit") of the Prudential Regulations of State Bank of Pakistan ("SBP") duly filled in and signed, recent photograph, copy of CNIC/Passport and an Affidavit to, inter alia, meet the requirement of SBP's Prudential Regulations G-1 and the Fit and Proper Test ("FPT") for appointment of Directors of banking companies, declaration that he is not ineligible to become a director under any provisions of the Banking Companies Ordinance, 1962 ("BCO"), Prudential Regulations or any directives of the SBP and Declaration of Fidelity and Secrecy under Section 33 of the BCO for the purpose of obtaining clearance/approval, in principle, from the SBP.

A director must be holding 500 shares of the Bank at the time of filing of his/her consent to act as director.

Independent Directors will be elected through the process of election of directors in terms of Section 159 of the Act and they shall meet the criteria laid down under BPRD Circular No. 15 of 2016, dated December 28, 2016 issued by the SBP as well as criteria laid down under Section 166 (2) of the Act.

Notice of 70th Annual General Meeting

Attention of Shareholders is drawn towards Circulars/Notifications:

The following Circulars/Notifications require special attention of shareholders of MCB Bank Limited (“MCB” or the “Bank”):

1. Withholding of Payment of Dividend – CNIC Requirement:

The Securities and Exchange Commission of Pakistan (“SECP”) has made it mandatory for listed companies to mention, in the case of Individuals, Computerized National Identity Card (“CNIC”), National Identity Card for Overseas Pakistanis (“NICOP”) or Passport number and in the case of Corporate Entity, National Tax Number (“NTN”) of the shareholders or their authorized persons, on dividend warrants. In the absence of such information payment of dividend will be withheld in terms of the provisions of the Companies Act, 2017 (“Act”) stating that a company may withhold the payment of dividend of a member where the member has not provided the complete information or documents as specified by SECP. Therefore, shareholders who have not yet provided such information are once again advised to provide the same to the Share Registrar and Transfer Agent of MCB.

2. Payment of Cash Dividend Electronically (e-Dividend Mechanism):

Section 242 of the Act requires that the listed companies shall pay cash dividend only through electronic mode directly into the bank account designated by the shareholders. SECP vide its notification SRO1145 (I)/2017 has also issued the Companies (Distribution of Dividends) Regulations, 2017 whereby every shareholder shall be responsible to provide valid information pertaining to its designated bank account to disburse any dividend payable in cash only through electronic mode directly into the bank account designated by the entitled shareholders.

In this regard, MCB has already communicated through its letters addressed to the shareholders individually along with newspapers publications requesting to provide the International Bank Accounts Number (“IBAN”) designated by the shareholders to receive the cash dividends electronically. Hence, shareholders are requested to fill the required fields of MCB’s letter enclosed with the Notice of AGM and also available on website of the Bank: www.mcb.com.pk and send the same to the Share Registrar and Transfer Agent of the Bank. In case of shares held as book-entry securities, the said information would be required to be provided to Central Depository System (“CDS”), through CDS Participants. (Please ignore, if the said information has already been provided)

3. Circulation of Annual Audited Financial Statements and Notice of AGM to Members through E-mail:

SECP through its Notification No. SRO 787 (I)/2014, dated September 08, 2014, has allowed companies to circulate Annual Audited Financial Statements along with Notice of Annual General Meeting (“AGM”) to its members through email. The shareholders who desire to receive Annual Audited Financial Statements and Notice of AGM through email are requested to fill the requisite form titled ‘Standard Request Form’ placed on the website and send it to the Company Secretary at the Registered Office of the Bank located at MCB Building, 15-Main Gulberg, Jail Road, Lahore. In case any member, subsequently, requests for hard copy of Annual Financial Statements, the same shall be provided free of cost within seven days of receipt of such request.

4. Deduction of Withholding Tax on the Amount of Dividend:

The Government of Pakistan through Finance Act, 2017, has made amendment in Section 150 of the Income Tax Ordinance, 2001, whereby, withholding tax on dividends has been enhanced as follows:

- For Filers of Income Tax Returns: 15%
- For Non-Filers of Income Tax Returns: 20%

In case of joint-shareholders, tax is to be deducted as per ratio of their respective share in the ownership.

Federal Board of Revenue (“FBR”) has provided the Active Tax-Payer List (“ATL”), for identification on the basis

Notice of 70th Annual General Meeting

of NTN/CNIC number; hence, in case of non-availability of valid NTN/CNIC number with MCB's Share Registrar and Transfer Agent, the shareholder will be treated as 'Non-Filer' and accordingly tax at the rate of 20% would be deducted. 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.

5. 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.

6. Requirement of Approval for Claim of Exemption U/S 150 of the Income Tax Ordinance, 2001:

In the wake of recent judgment of honorable Lahore High Court, Lahore the Bank requires recognition approval of respective Fund from FBR in order to provide exemption on the basis of Clause 47B of Part IV of Second Schedule to the Income Tax Ordinance, 2001. In case of non-availability of such approval, deduction of tax under relevant sections shall be made accordingly.

7. Transmission of Annual Audited Accounts through DVD:

The Bank as allowed by SECP Notification No. SRO 470 (I)/2016, dated May 31, 2016, has circulated the Annual Audited Financial Statements for the year ended December 31, 2017 to shareholders through electronic medium, i.e., DVD at their registered addresses instead of transmitting the said annual accounts in hard copies. However, a shareholder may request to the Company Secretary at the Registered Office of the Bank located at MCB Building, 15-Main Gulberg, Jail Road, Lahore to provide hard copy of Annual Audited Accounts instead of DVD and the same will be provided at his/her registered address, free of cost, within one week of the demand. In this regard, a 'Standard Request Form' has been placed on website of the Bank for shareholders to communicate the need of hard copies of the Annual Audited Accounts instead of sending the same through DVD. A shareholder may also prefer to receive hard copies for all future Annual Audited Accounts.

8. Deposit of Physical Shares into CDC Account:

The Shareholders having physical shareholding may open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into script-less form, this will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange. Further, Section 72 of the Act states that after the commencement of the Act from a date notified by SECP, a company having share capital, shall have shares in book-entry form only. Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the commencement of the Act.

Notice of 70th Annual General Meeting

9. Merger of Different Folios into One Folio:

As per record, some of the shareholders are maintaining more than one folio under the same particulars. Carrying two different folios may be a hassle for the shareholders to reconcile and receive different benefits in the shape of dividends/ bonus. In order to provide better services and convenience, such shareholders are requested to send requests to the MCB's Share Registrar and Transfer Agent to merge their folios into one folio.

While sending the copy of NTN/CNIC/NICOP number, shareholders are requested to quote their respective Folio/ CDC Account Numbers for identification purpose.

**M/s THK Associates (Pvt) Ltd.,
Share Registrar and Transfer Agent-MCB Bank Limited
First Floor, 40-C, Block-6, P.E.C.H.S., Karachi-75400.
P.O. Box No. 8533, UAN: +92 (21) 111-000-322,
Fax: +92 (21) 3 4168271.
Email: sfc@thk.com.pk**

Glossary of Terms

Important terms and formulae used for calculation in Financial Statements are briefly described here;

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Basis point

One hundredth of a per cent i.e. 0.01 per cent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets 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 party 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.

INVESTOR'S AWARENESS

For the year ended December 31, 2017

With reference to SRO 924(1) / 2015 dated September 9th, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been added for investor's awareness.

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*Mobile apps are also available for download for android and ios devices

Form of Proxy

70th 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 70th Annual General Meeting of the Bank to be held on **Tuesday, March 27, 2018 at 11:00 AM (PST)** at Grand Ball Room-D, The Nishat Hotel, Trade and Finance Center Block, Near Expo Center, Abdul Haq Road, Johar Town, Lahore, and at any adjournment thereof.

As witness my / our hand/Seal this _____ day of _____ 2018

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, 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 70واں سالانہ عام اجلاس

میں / ہم _____
 ضلع _____ بحیثیت ممبر ایم سی بی بینک لمیٹڈ اور _____ عام حصص کا مالک مستسی / مسماة _____
 ساکن _____ کوجہ کا فوئیو / سی ڈی سی اکاؤنٹ نمبر _____ یا اس کی عدم دستیابی کی صورت میں
 مستسی / مسماة _____ ساکن _____ کوجہ کہ بینک کا ممبر بھی ہے، جس کا فوئیو / سی
 ڈی سی اکاؤنٹ نمبر _____ بطور پراکسی مقرر کرتا ہوں / کرتی ہوں / کرتے ہیں تاکہ وہ میری / ہماری جگہ اور میری / ہماری طرف سے بینک کے
 70 ویں سالانہ عام اجلاس جو بروز منگل، مورخہ 27 مارچ، 2018ء بوقت 11:00 بجے صبح بمقام گرینڈ بال روم۔ ڈی، دی نشاط ہوٹل، ٹریڈ اینڈ فنانس سینٹر
 بلاک، نزد ایکسپو سینٹر، عبدالحق روڈ، جوہر ٹاؤن، لاہور، منعقد ہو رہا ہے اس میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے، بات کرے اور ووٹ ڈالے۔
 میرے / ہمارے دستخط بتاریخ _____ 2018ء

پانچ روپیہ کے ریپونڈنٹ نام پر
دستخط

دستخط بینک میں رجسٹرڈ نمونے
سے مطابقت رکھتے ہوئے چاہیے

سی ڈی سی اکاؤنٹ نمبر		فولیو نمبر
اکاؤنٹ نمبر	پارٹیسیپنٹ I.D.	

گواہان:

(1) نام: _____
 پتہ: _____
 شناختی کارڈ نمبر: _____
 دستخط: _____

(2) نام: _____
 پتہ: _____
 شناختی کارڈ نمبر: _____
 دستخط: _____

نوٹ:

- 1- اجلاس میں شرکت کرنے، ووٹ دینے کے اہل کن کسی دوسرے رکن کا اپنا اپنی پراکسی مقرر کر سکتا ہے جس کو شرکت کرنے، بولنے اور ووٹ دینے کا حق حاصل ہوگا۔
 - 2- یہ مکمل ہر کردہ اور دستخط شدہ پراکسی فارم بینک کے شیئر رجسٹرار اور ٹرانسفر ایجنٹ، میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، بمقام پہلی منزل، 40-سی، بلاک 6، پی۔ ای۔ سی۔ ایچ۔ ایس، کراچی، کے دفتر میں اجلاس کے انعقاد سے 48 گھنٹے پہلے جمع کروانا چاہیے۔
 - 3- اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور بینک کے شیئر رجسٹرار اور ٹرانسفر ایجنٹ کے پاس رکن کی طرف سے پراکسی فارم کی ایک سے زائد دستاویزات جمع کروائی جاتی ہیں تو پراکسی کی ایسی تمام دستاویزات کا اہم تصور ہوں گی۔
 - 4- سی ڈی سی اکاؤنٹ رکھنے والوں / کارپوریٹ اداروں کے لیے:
- * مستفید مالکان اور پراکسی کا کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپیاں پراکسی فارم کے ساتھ مہیا کی جائیں گی۔
 - * اجلاس کے موقع پر پراکسی اپنا اصل شناختی کارڈ یا پاسپورٹ مہیا کرے گا۔
 - * کارپوریٹ ادارہ ہونے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد یا مختار نام نمونے کے مطابق دستخط کے ساتھ بینک کے شیئر رجسٹرار اور ٹرانسفر ایجنٹ کے پاس پراکسی فارم کے ساتھ جمع کروانا ہوگا۔