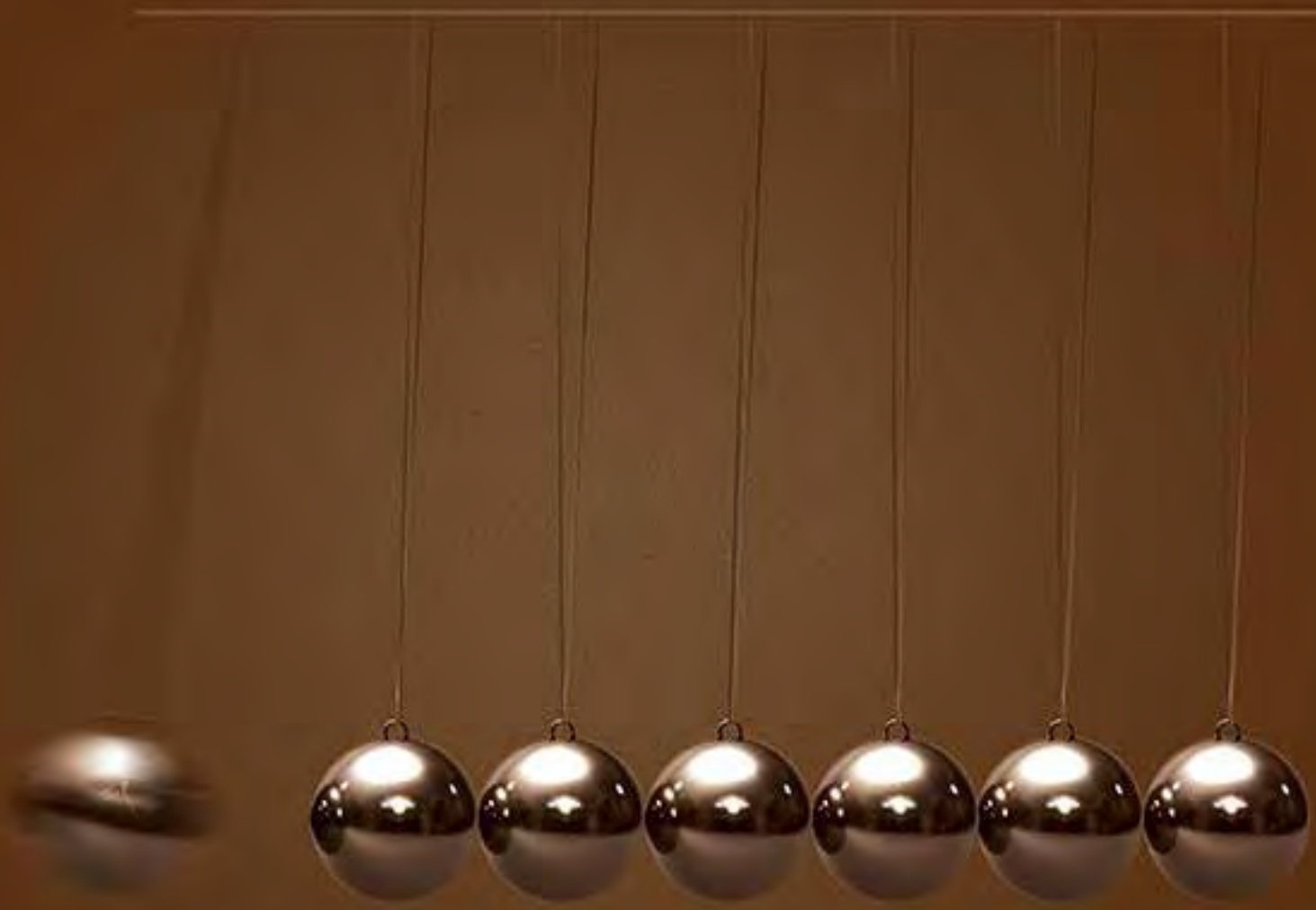




Bank for Life



A CALCULATED LIFE

ANNUAL REPORT 2016



A CALCULATED LIFE

Living well is an artful craft that requires calculated moves including our work, our finances, our level of physical fitness, our relationships... Living well takes a strategy, like a game of chess, it takes calculated moves. MCB Bank helps its customers stay on the right track and make the most sensible financial decisions that guarantee peace of mind and financial stability. It provides hope to every man who is struggling through his life and aspires to achieve big and aim high. As your banking partner, MCB Bank fuels you with positivity and propels you into positive action. It thus helps you plan your life with perfect calculations.



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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



THE ADDITION OF HAPPINESS

Life is a math equation. In order to gain the most, you have to know how to convert the negatives into positives. MCB Bank provides you all the support you need to fulfil your passions and dreams and thus add happiness to your lives. It stays with you through thick and thin and gives you that confidence you need to reach every milestone in life. Through various banking solutions MCB Bank fills your life with positivity.

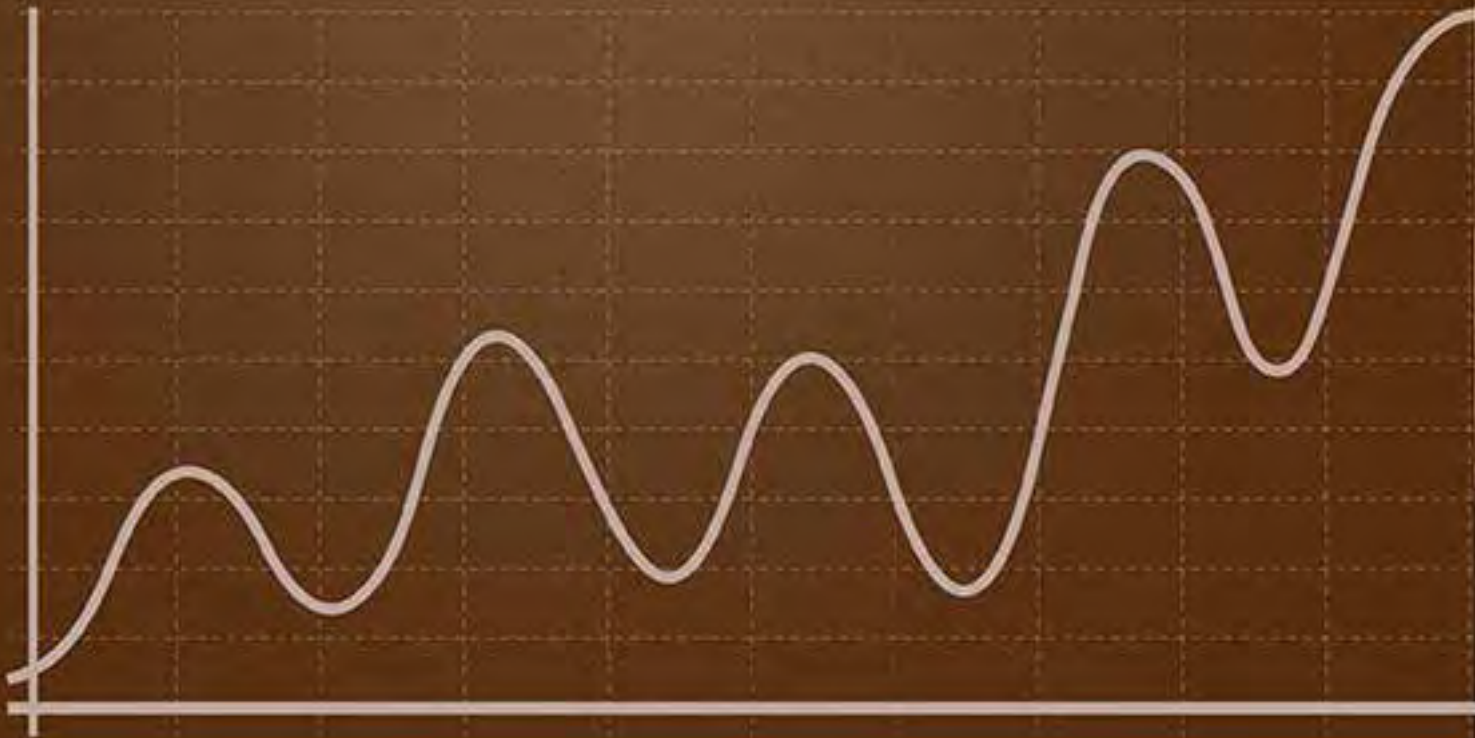


A CALCULATED LIFE

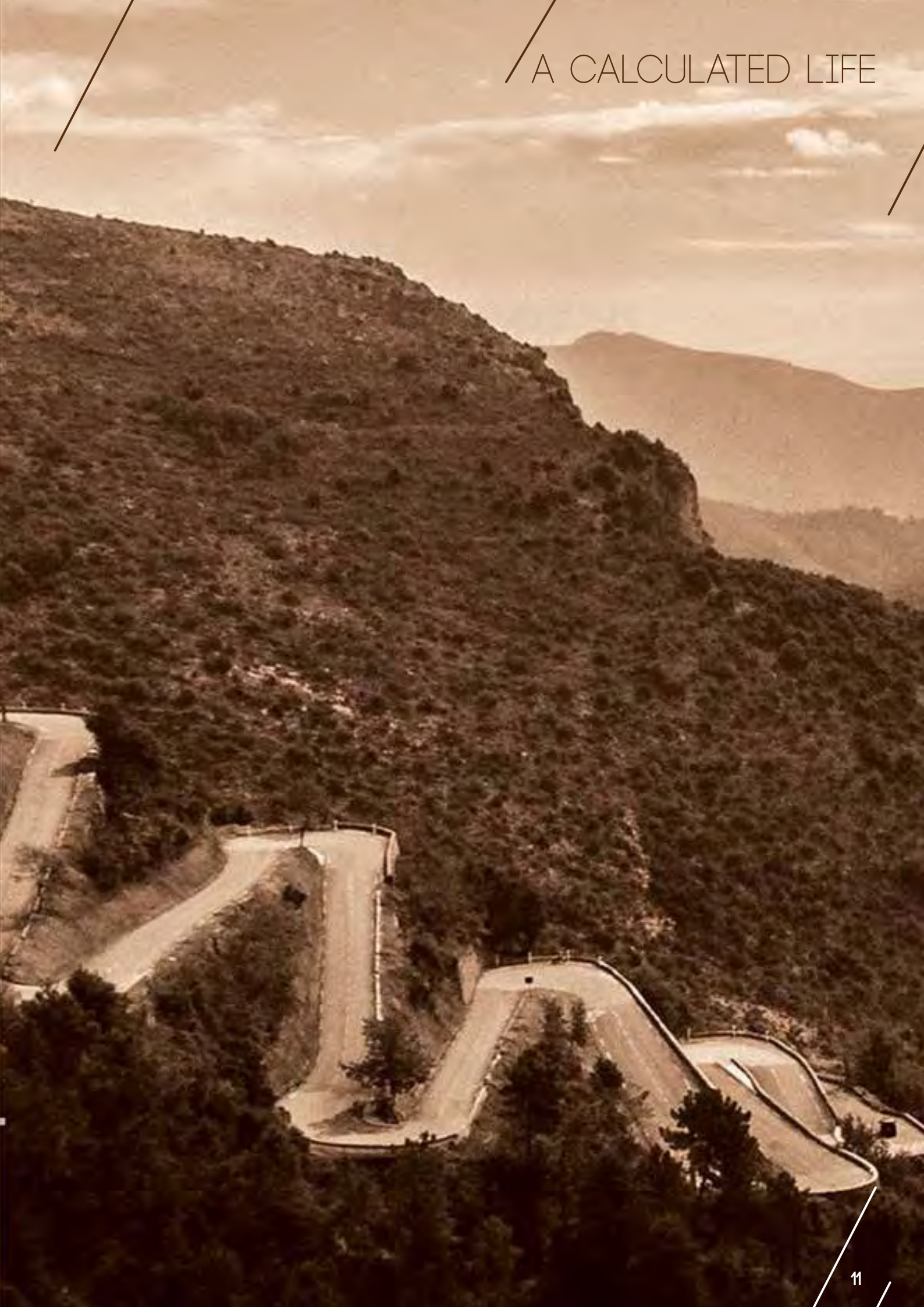


THE SUBTRACTION OF WORRIES

We have to accept the fact that our life is and will always be a mixed bag of good and not so good times but MCB Bank helps increase the highs and reduce the lows of life. From buying a car to getting a house loan or picking up the best insurance involves calculation. MCB Bank through its banking solutions helps us make the right moves to make our lives less worrisome.



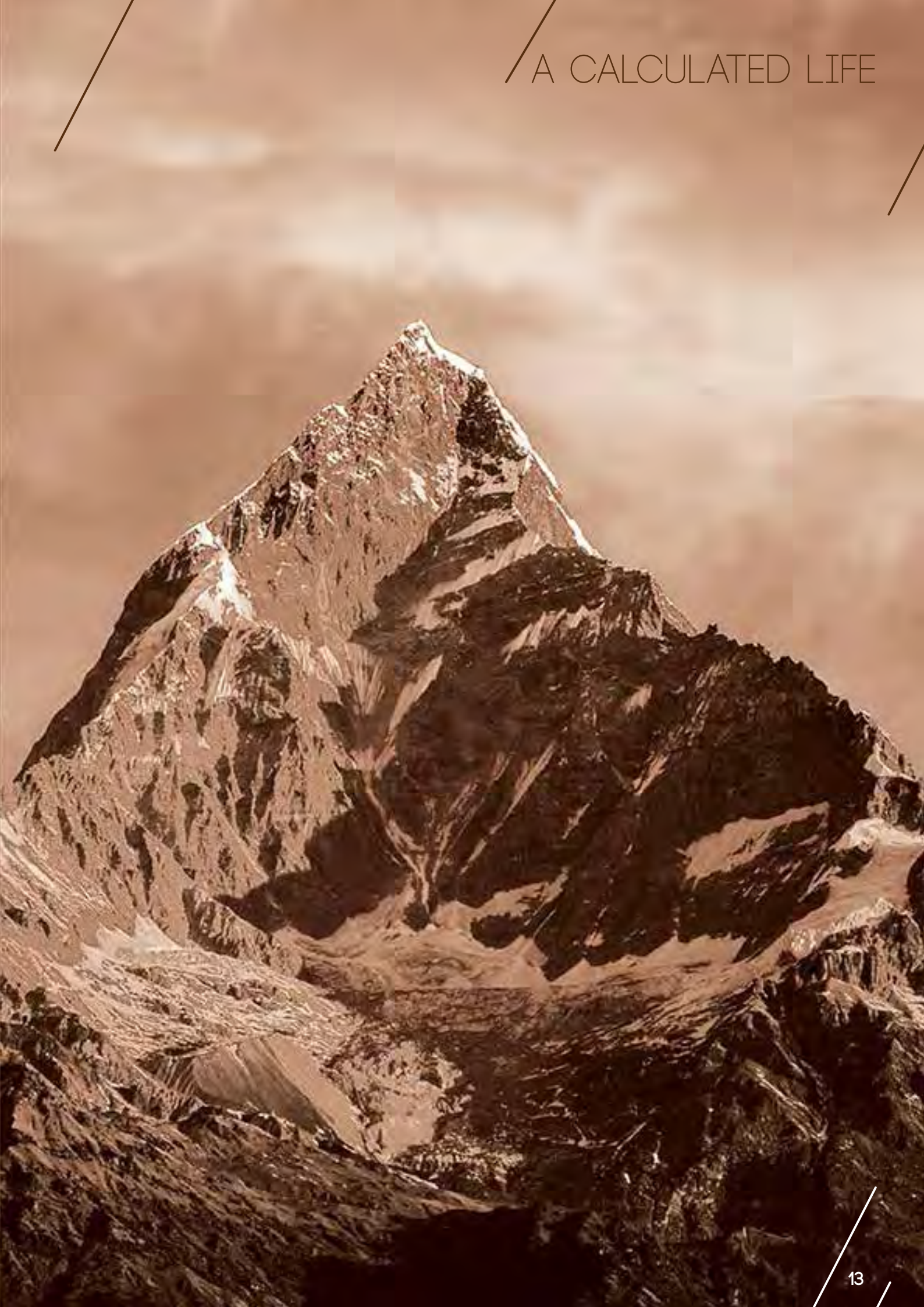
A CALCULATED LIFE



THE DIVISION OF RISK

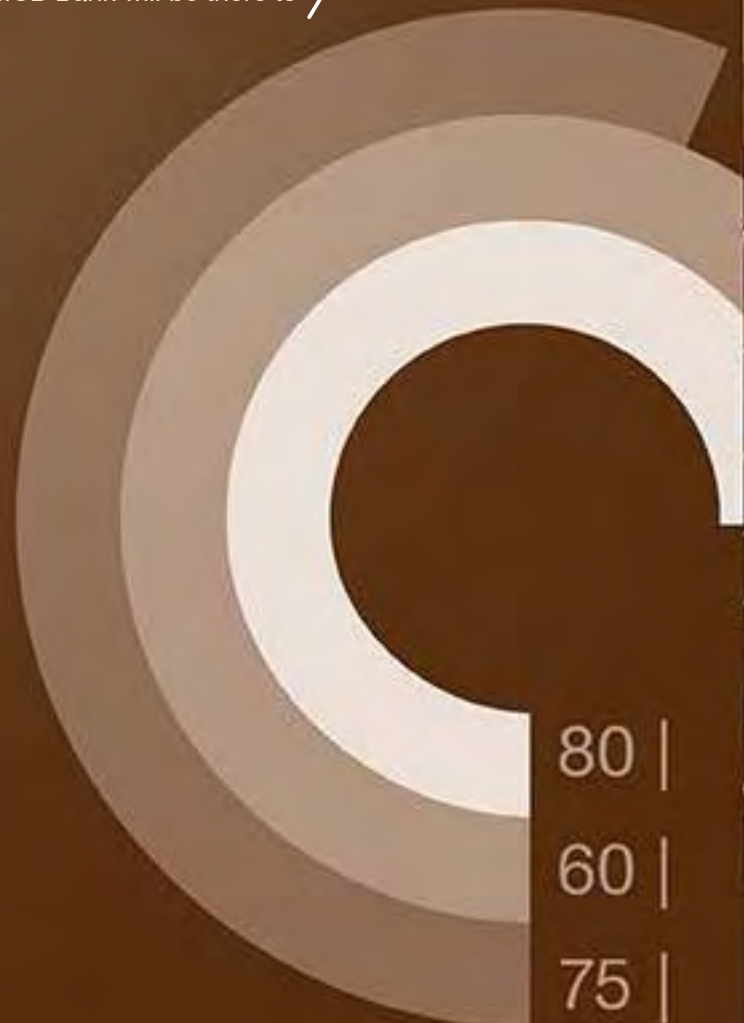
Often people don't take risks because of fear of rejection, judgment, failure, making a mistake, being wrong, or fear of the outcome not being as expected or afraid of how things might turn out. With MCB Bank, as your financial partner, you choose to live your life your way and believe everything is doable and become willing to take risks and imagine new possibilities.





THE MULTIPLICATION OF SECURITY

In life the only thing certain is uncertainty. We should always hope for the best but also prepare for the worst. MCB Bank helps to reduce this uncertainty and multiply the security of our assets. We know that life is unpredictable and full of change, so we have designed our financial solutions keeping in mind that your needs will also change with time. Whatever life may throw at you, MCB Bank will be there to protect you and those you love.



A CALCULATED LIFE





CORE VALUES

Integrity

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

Innovation

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

Excellence

We take personal responsibility for our role as leaders in 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

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

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

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

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

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

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

2013 The Asset Triple A:
 2013 The Asset Triple A:
 2013 ICAP and ICMAP:
 2013 LK Domain Registry Sri Lanka:
 2013 Lanka Clear Pvt. Limited:
 2013 SAFA Awards:

Best Domestic Bank - Pakistan
 Best Islamic Deal
 1st - BCR Award 2012 - Banking Sector
 Best Website Award
 T+1 Cheque Clearing Award
 2nd Runner up Best Presented Annual Accounts 2012 - Banking Sector

2012 The Asset Triple A:
 2012 Euromoney:
 2012 NFEH:
 2012 ICAP and ICMAP:
 2012 World Finance:
 2012 Pakistan Centre for Philanthropy:

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

2011 CFA Association Pakistan:
 2011 CFA Association Pakistan:
 2011 Euromoney:
 2011 ICAP / ICMAP:
 2011 SAFA Awards:

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

2010 The Asian Banker:
 2010 The Asian Banker:
 2010 MMT:
 2010 ICAP / ICMAP:
 2010 SAFA Awards:

Strongest Bank in Pakistan
 Leadership Achievement Award
 Best Bank Led MMT Service
 1st - BCR Award 2009 - Banking Sector
 Certificate of Merit Award 2009

2009 Asiamoney:
 2009 The Asset:

Best Domestic Bank in Pakistan
 Best Domestic Bank in Pakistan

2008 Euromoney:
 2008 Euromoney:
 2008 Asiamoney:

Best Bank in Asia
 Best Bank in Pakistan
 Best Domestic Bank in Pakistan

2006 Asiamoney:
 2006 Euromoney:

Best Domestic Bank in Pakistan
 Best Bank in Pakistan

2005 Asiamoney:
 2005 Euromoney:

Best Domestic Bank in Pakistan
 Best Bank in Pakistan



PRODUCTS & SERVICES



Products & Services

MCB Liability Products

MCB Current Deposit Accounts

For complete day-to-day banking needs, MCB Current Deposit menu is designed to provide the valued customers with transactional convenience and flexibility for all their financial dealings. During 2016, MCB Bank further strengthened its product portfolio with the addition of MCB Smart Business account and MCB Ladies Account.

Savings Account

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

Term Deposit

MCB Term Deposits offer attractive short to mid-term investment options with flexibility, convenience and security. With various tenor options available, 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.

MCB Bank offers a wide range of products and services hence ensuring ease and freedom for the customer to bank from any of the 1200+ branches across the country and a wide array of digital channels. The customers, depending on their needs, have the convenience to choose from:

- **MCB Business Account:** A Current Deposit Account that offers a wide range of unlimited free transactions and services to cater to the business needs such as intercity withdrawals / deposits, Funds Transfer, Cheque book, Banker's Cheque, Duplicate Bank Statements, E-Statements, Rupee Traveler Cheques (RTCs), etc.
- **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 Current Life Account:** Offers free life insurance coverage besides catering to the usual transactional needs.
- **MCB Fun Club - Banking for Kids:** Offered in both Saving and Current Account types, MCB Fun Club helps kids in developing better financial planning & management skills by encouraging them to save.
- **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.
- **MCB 365 Savings Gold Account:** Offers exclusive rates for the high savers without any transaction restrictions.
- **MCB Smart Savings Account:** Gives the option to smartly place your savings to earn more.
- **MCB Savings Xtra Account:** Tiered product offering attractive rates to suit saving needs of the customers.
- **MCB PLS Savings Account:** Provides steady growth to your savings and access to a complete range of Bank's services.
- **MCB Flexi Deposit Account:** Gives the option to the customers to conveniently choose their profit payment frequency during the placement tenure.
- **MCB Mahana Profit Account:** Offers attractive investment option with monthly profit pay-out.
- **MCB Foreign Currency Accounts:** Offered in Current, Savings and Term variants, MCB Foreign Currency Accounts provide customers the convenience to save and enjoy the freedom to manage cross border as well as domestic transactional needs.
- **MCB Ladies Account:** A one of its kind deposit product designed specifically for Ladies segment. The product offers various benefits including Free Medical & Life Insurance along with discounts on other services. The overall features of the product empower the ladies to enjoy financial independence and security in case of an unfortunate health emergency.

MCB Agri Financing Products

One of the strengths of MCB Bank is its vastly spread footprint. Agriculture finance business of the Bank has embraced a new & progressive outlook as a result of various initiatives. The team of agriculture marketing officers has been strengthened to enhance outreach and facilitate farmers on their door steps. Moreover, focus has been shifted from recovery to expansion. The portfolio size is gradually expanding with focus on encouraging mechanized farming. Moreover, insurance arrangements are in place to provide risk coverage to crops/tractors & equipment.

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 and contract financing mechanisms. MCB Bank will continue to support agriculture sector as a matter of its policy by remaining an active partner supporting progressive farmers by providing credit for all types of farm and non-farm activities.

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

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

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

Products & Services

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, apiculture, sericulture etc.) 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, which can be considered under this plan.

Other Products & Services

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 Lockers

Customers can avail safe keeping service from MCB Bank Ltd. for the protection of their valuables in secured and privately operated lockers. These lockers are available in four (04) different sizes i.e., Small, Medium, Large and Extra Large at selected Bank's branches across the country. MCB lockers provide fixed insurance coverage as per the size of the locker, with option to customer to get additional insurance at his/her cost.

MCB Privilege Banking

As the first local bank to introduce high end retail banking. MCB Privilege takes pleasure in taking you to 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's dedicated Privilege Centers wait to welcome you in Karachi, Lahore, Islamabad, Faisalabad, Sialkot, Rawalpindi and Multan with plans to expand to more locations.

MCB Ladies Branch

MCB Bank's very first Ladies Branch (E-11 Markaz, Islamabad) is being managed predominantly by female staff focusing on banking needs of all segments especially female clients. The aura of trust and confidence our female staff carries encourages customers to discuss and find quick & comfortable banking solutions for their financial needs. MCB Ladies Branch also emphasizes the Bank's prominent role in advocating equal employment opportunities for females which is a major step towards recognizing the importance of the role of females in the country. The Ladies branch concept received good response from the market and some more ladies branches are being planned to be opened in other parts of the country also.

Sunday Banking:

MCB Bank reached another milestone by launching its first 7-Days open branch in Emporium Mall Lahore that operates from Monday to Sunday with extended business hours from 9 a.m. to 11:30 p.m. The initiative has been taken to cater financial needs of the customers and provide an avenue where they can transact at their convenience. The initiative has been successful and the plan is to open more branches providing 7-Days banking facility to customers across the country in 2017.

MCB 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 organisations. 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 division is ably assisted by strong back office support which includes 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 of two cars simultaneously from MCB Bank in line with their unique needs and requirements.

MCB Car4U offers auto loans to customers in over 1050 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.



Products & Services

MCB Home Loan: Owning a home is a dream for many. At MCB Bank, we aim to help our customers fulfill this lifelong ambition and turn their dream into reality. Purchasing a home is no straight forward task and requires considerable expertise and research to make an informed decision. For this purpose, we have maintained an especially skilled team of consumer banking professionals across Pakistan, who assist our valued customers not just with home financing, but also with guidance respect to the strategic selection of their future home / plots. MCB Home Loans have the capability to offer financing solutions for the purchase of a home as well as for a plot and construction thereon.

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 Cheque in the customer's own name.

MCB SME Card: MCB Bank added a new pioneering product in its menu, 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 no 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 personal needs. Whether 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 9 major cities in Pakistan.

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 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, post their MBAs.

MCB Cash4Cash: A finance facility for individuals for fulfilling their personal needs, which is collateralized against securities such as local and foreign currency term deposits, national saving schemes instruments, PIB's/T-Bills, mutual funds, bank guarantees, etc. This offering facilitates our customers in getting easy access to liquidity for fulfilling their immediate and/or long-term personal needs against liquid investments (collateral) without liquidating their liquid investments.

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 Visa Debit Card: With global acceptance at over 20 million merchants and 1.5 million ATMs worldwide; MCB Debit Cards is a way forward into the future payments. MCB Bank is proud to have Pakistan's first chip-based Debit Card which allows customers to have unmatched convenience, enhanced security and round-the-clock accessibility to their funds. MCB Debit Card is also accepted at 10,000+ ATMs nationwide, with promotional discount schemes designed to reward our esteemed customers every time they use their card at any point of sale (POS) for shopping, dining, fuel, travelling and lodging etc. With an MCB Debit Card, our customers will never feel the need to carry cash. We have further strengthened the product proposition with the launch of card variants like Platinum Supplementary/ Gold Local, and enhancement of customers' security through upgrade of chip technology from Static to Dynamic Data Authentication mode.

MCB Acquiring: For several years, MCB Bank's Acquiring was spread over physical franchise, and has recently embarked into online space (eGate). 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 and UPI enabled cards from all over the world.

MCB Acquiring is also venturing to add to its fleet latest 'Mobile Point of Sale' (mPOS) devices which will help the payment industry/ as well as the supply chain of all such businesses whose products and services are paid-for in cash today. Soon, home-deliveries, fruit carts, drink corners and many other alike will be able to accept payments through debit/credit cards in a real-time environment.

Products & Services

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; especially with Telenor as payment facilitator, it will expand the card acquisition footprint and eventually develop the E-commerce market in the country.

MCB ATMs: MCB Bank has the second largest ATM network with 1200+ ATMs including over a 100 off-site ATMs placed at commercial locations like malls, hospitals etc. for consumer's convenience. The network covers more than 430 cities across the country and is constantly 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. We are also proud to be the one of the few banks to have our entire network installed with anti-skimming devices which helps in safeguarding customers. MCB ATMs provide our customers with 24-hours of convenience to withdraw cash, view their mini-statement, pay utility bills, buy mobile top-ups, transfer funds and much more.

MCB CDMs: MCB Bank is also proud of the fact that it is one of the few selected banks in Pakistan that offer its customers with the services of Cash Deposit Machines (CDM). They are a quick, easy and time saving alternative to standing in queues for making deposits in branches. All our CDMs are available 24 hours a day and offer instant credit to your account. At our CCDM's, you can make deposits, withdraw cash (up to your daily limit), transfer money between your accounts, make bill payments, and credit card payments (for MCB Credit Cards only), get mini-statements for your bank and credit card accounts, and much more.

MCB Mobile: With the proposition "banking anywhere, anytime at your convenience" MCB Mobile has proven and positioned itself as one of the most successful and highly sought after mobile payments service within a short span of time. MCB Bank is proud to have shown once again; that the customer's convenience is what drives us. Recently, Bank expanded the service to the world best platforms i.e. Apple's App Store and Google's Play Store (Android) with a record breaking cumulative downloads of over 150,000. It is an easy and secure way to transfer money, carry out balance inquiry, check mini-statements, buy top-ups, pay bills and much more.

MCB Internet Banking: MCB Internet Banking was launched to bring state-of-the-art online banking experience to its customers. The bank implemented top of the line Oracle's Flex Cube Direct Banking Software which comes with enhanced securities, self-registration, enhanced friendly user interface and a host of functionalities/services. This implementation has enabled MCB Bank to deepen its digital banking footprint while enabling millions of its customers to manage and control their bank accounts; whenever and wherever they want.

MCB Call Center: Nowadays, customers prefer more convenient ways of conducting their banking transactions and MCB Bank has always been very proactive in facilitating its esteemed customers for their specific needs. MCB Call Center is equipped with 120 trained professionals who offer 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 is strengthened with Telephonic Personal Identification Number (TPIN). It not only serves its existing customers but also cross-sells and up-sells various products and services as well.

Branchless Banking-MCB Lite: MCB Bank received its branchless banking license 6 years ago, and formally started its branchless journey with the launch of MCB Lite in the year 2014. MCB Lite wallet allows customers to handle their daily transactions and payments in an efficient and real time manner while also digitizing the economy. With

this product, MCB Bank has initiated the drive for contributing to the economy by facilitating cash-less transactions.

MCB Loyalty & Discounts: Caring for and giving back to our esteemed customers is what MCB Loyalty & Discounts is all about. MCB Bank is proud to have best discount offers at top merchants for our prized MCB (Debit, Credit, Prepaid and Lite) card holders. With a wide variety of discounts at more than 80 different brands ranging from dining, shopping and lodging, MCB Bank's motto i.e. 'Bank for Life' is truly personified through our MCB Loyalty & Discounts services.

SMS Alerts: MCB Bank is proud to offer a FREE SMS Alerts service to its customers which allows customers to keep track of all of their banking transactions through SMS notifications. By applying to this service, customers receive real time SMS 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).

MCB E-Statements: MCB Bank E-Statement initiative adds an additional level of convenience to online banking. Now there is no need to wait for postal deliveries, as E-Statements are sent directly to your inbox making it easier to retrieve information when needed. They're safer, more secure & faster than traditional mailings and, of course, they're free. Paperless bank statements are better for you and better for the environment.

CFIBG Products and Services

MCB Burqaftaar 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 1200+ 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 from printing of dividend warrants to subsequent encashment through MCB branches, followed by a complete reconciliation. Foreign dividends are also managed end to end by TBD.
- **Tejarat Card:** Tejarat card is a closed loop debit card designed for cash-less electronic transactions empowering businesses



Products & Services

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 is aiming to provide 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 introduction of this product will provide security in terms of cash carrying and will allow the dealers/distributors to conduct transactions even after banking hours i.e. 24/7. Addition of IVR will ensure smooth flow of regular transactions and will provide banks with higher profits with lower operational expenses and transaction costs. The addition of this channel will help us in reducing our cash handling cost and encourage dealers to open accounts with MCB.

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

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 rate is available for both Personal and Business Banking customers to enjoy an attractive return on their funds. One of the salient features of the Savings Account is that 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.

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. MCB Business Account is a special current account designed for business clients who maintain a healthy average balance and perform high volume of transactions by offering fee waivers for selected banking services, coupled with a host of value additions.

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

Products & Services

return, as well as to collect gift items on reaching specific account balances.

Fixed Deposits - The future beckons!

Our Term Deposit Accounts are designed to suit the 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 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 3600 ATMs Island wide via LankaPay, which is the largest common ATM network in the country.

Virtual Banking - Wherever, whenever!

At MCB Bank we relentlessly dedicate our time to make banking more convenient for our customers. 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. Local and overseas funds transfers (requests), schedule of Standing Instructions and Payments, secure communication link to upload documents are some of the salient features bundled with the product.

Safe Deposit Lockers - Where safety is a promise!

MCB Safe Deposit Locker service is by far the most convenient way to secure the valuables of our customers. 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 also offer various types of lockers depending on their requirement to protect their documents, jewelry or any other valuables.

Foreign Currency Accounts - When you need financial diversity!

Save in any designated foreign currency and enjoy attractive returns on your foreign currency savings account. 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.

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 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.

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 achieved 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 both 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, and trade finance solutions and structured project financing in order to cater to the evolving needs of our Business Banking customers.

MCB Personal Loan - Fast | Affordable | Easy

MCB Personal Loan is designed to offer fast and convenient solutions for individuals' financial needs. The product is exclusively offered for employees of pre-approved list of companies. Customers can borrow up to 10 times of their monthly net salary subject to a maximum of LKR 2 Mn, repayable over 60 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. No additional security or guarantors are required to apply for MCB Personal Loan facility.

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.



Products & Services

Post-dated Cheque Discount Facility

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

Finance against Trust Receipts (FATR)

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

Financing against Receivables

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

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

Commercial Loan for Vehicle

Financing is available for businesses to purchase HTV / LTV and small commercial vehicles for tenor ranging from 1-7 years.

Commercial Loan against Mortgage

Financing is available for businesses to purchase property or use for construction with the tenor ranging from 5-20 years. Financing for construction is available on land owned by borrower(s) with the loan being disbursed as per installment plan.

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 started its operations with limited business activities in 1995 to focus mainly on LC reimbursements. Subsequently, the Unit diversified its business activities in different areas. At present, 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

The Bank incorporated MCB Islamic Bank Limited (MIB), a wholly owned subsidiary, with an authorized share capital of Rs.15 billion in 2014 and in 2015, the Bank has injected equity of Rs. 10 billion in the said subsidiary. SBP has granted "Certificate of commencement of Banking Business" to MIB effective September 14, 2015.

Subsequent to the authorization of financial statements for the period ended December 31, 2015, the Honorable Lahore High Court has granted sanction of, and ordered for implementation of the Scheme through its order (Certified True Copy received on April 19, 2016) whereby assets and liabilities of MCB's domestic Islamic Banking Operations were to be transferred as at the effective date September 30, 2015. The Bank in accordance with the aforesaid Court order incorporated the balances at their carrying values as appearing in the financial statements of MCB Islamic Banking Group (MCB IBG) as at September 30, 2015.

MIB offers a complete set of Shari'ah Compliant solutions that are providing a parallel route to conventional or mainstream banking. MIB caters to a wide variety of Shari'ah Compliant products and services to its valued customers across all demographic segments. At present, MIB is operating through 66 branches in 33 cities of Pakistan. The Registered Office of MIB 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.

MIB also arranged extensive trainings for its staff members to ensure an in-depth knowledge of Islamic Banking. As a part of our strategy to be the leading Shari'ah compliant financial institution in the country, MIB has invested in the best technologies across the world. Oracle Corporation which is well known as the largest enterprise software company has provided us their world leading Islamic Banking Solution FLEXCUBE and the underlying best of class technology platform. Currently, the system is in implementation phase.

MIB has shown significant growth both in its balance sheet and profitability since commencement and we are expecting MIB to be one of the fastest growing Islamic Bank of Pakistan.



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
2nd Floor, DYL Motorcycles Ltd. Office Building
Plot No. 346, Block No. G-III, Khokhar Chowk
Main Boulevard, Johar Town, Lahore, Pakistan

BOARD OF DIRECTORS







MIAN MOHAMMAD MANSHA

Chairman

Mian Mohammad Mansha started his career at the age of 24 as the CEO for Nishat Mills Ltd. At present, the business group is one of the leading and most diversified in South East Asia, having presence in 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 the 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. MUNEEER

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 Direction 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
- Trade Development Authority of Pakistan (TDAP)
- Din Industries Limited
- Arabian Sea Country Club



TARIQ RAFI

Director

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

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

Other Directorships:

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



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 among 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 of Punjab Institute of Cardiology from Jan 2014-April 2015. He also served on the board of Adamjee Insurance Company Ltd 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 Bank 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. He is also a member of Board of Trustees of LUMS. 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 Ltd, has initiated setting up of a 250 bed tertiary care not-for-profit hospital in Lahore. The hospital will be built to state-of-the-art international standards and will provide subsidized healthcare to the under privileged section of the city.

Other Directorships:

- Nishat Chunian Limited
- Nishat Chunian Power Limited
- Saleem Memorial Trust Hospital
- NC Properties (Pvt.) Limited
- NC Electric Company Limited
- NC Energy Limited
- NC Holdings Limited
- NC Industries 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 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 and Contingency Arrangements and Write-off & Waiver Committee and is also member the Risk Management & Portfolio Review Committee.

In addition, he has been serving on the board of various other businesses. Mr. Umer received his Bachelor's 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



IQRAA HASSAN MANSHA

Director

Iqraa Hassan Mansha has more than 7 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 and 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



AHMAD ALMAN ASLAM

Director

Mr. Aslam has four decade's 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 U\$\$ 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 Pakistan, 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

Mr. Hashmi is a senior banker with diverse international banking experience. He brings 26 years of banking & financial management background. This covers 20 years of credit risk & corporate banking experience at Samba Financial Group (Saudi Arabia) and Citibank (UK and Pakistan). Prior to banking, Mr. Hashmi had 6 years of corporate financial management experience at FMC Corporation (Pakistan) and Procter & Gamble (Pakistan and Japan).

Mr. Hashmi is a risk management professional with experience in covering portfolios including corporate bank, commercial bank, project finance, real estate finance, public sector loans, credit derivative products and corporate finance & investment banking products. His expertise includes design & implementation of differentiated risk processes, building supporting architecture, including programs, processes, procedures and systems. He also brings experience in developing & implementing Risk Rating Models. He holds a Master's of Business Administration (MBA) in Finance from Lahore University of Management Sciences, Lahore (Pakistan). Mr. Hashmi is based near London (UK) and works as a Banking Consultant and also runs his own Property Business.



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 capabilities 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 capability for the Group to use 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. Mr. Suhail also held several senior positions in the Information Services Divisions of a commercial bank. Throughout his investments and directed the implementation and integration of Technology services within the Asia Pacific region.

Mr. Suhail is a Director to 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 the Board Oversight Committee of Maybank Ageas Holding Berhad for Information Technology.

Mr. Suhail is a Fellow of the Malaysian Institute of Management and Associate of the Asian Institute of Chartered Bankers (formally 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 and 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 also Chairman of Risk Management and Portfolio Review Committee and member of Audit Committee.

Other Directorships:

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



IMRAN MAQBOOL

President & CEO

Mr. Imran Maqbool serves as President & Chief Executive Officer of MCB Bank Limited. He is a seasoned professional with over three decades of diverse banking experience. Before taking on the CEO position, he was Head of Commercial Branch Banking Group, where he successfully managed the largest group of the Bank in terms of market diversity, size of workforce, number of branches on countrywide basis and diversified spectrum of products. In earlier roles, he worked as Head Wholesale Banking Group-North, Country Head MCB Sri Lanka, Group Head Special Assets Management and Islamic Banking.

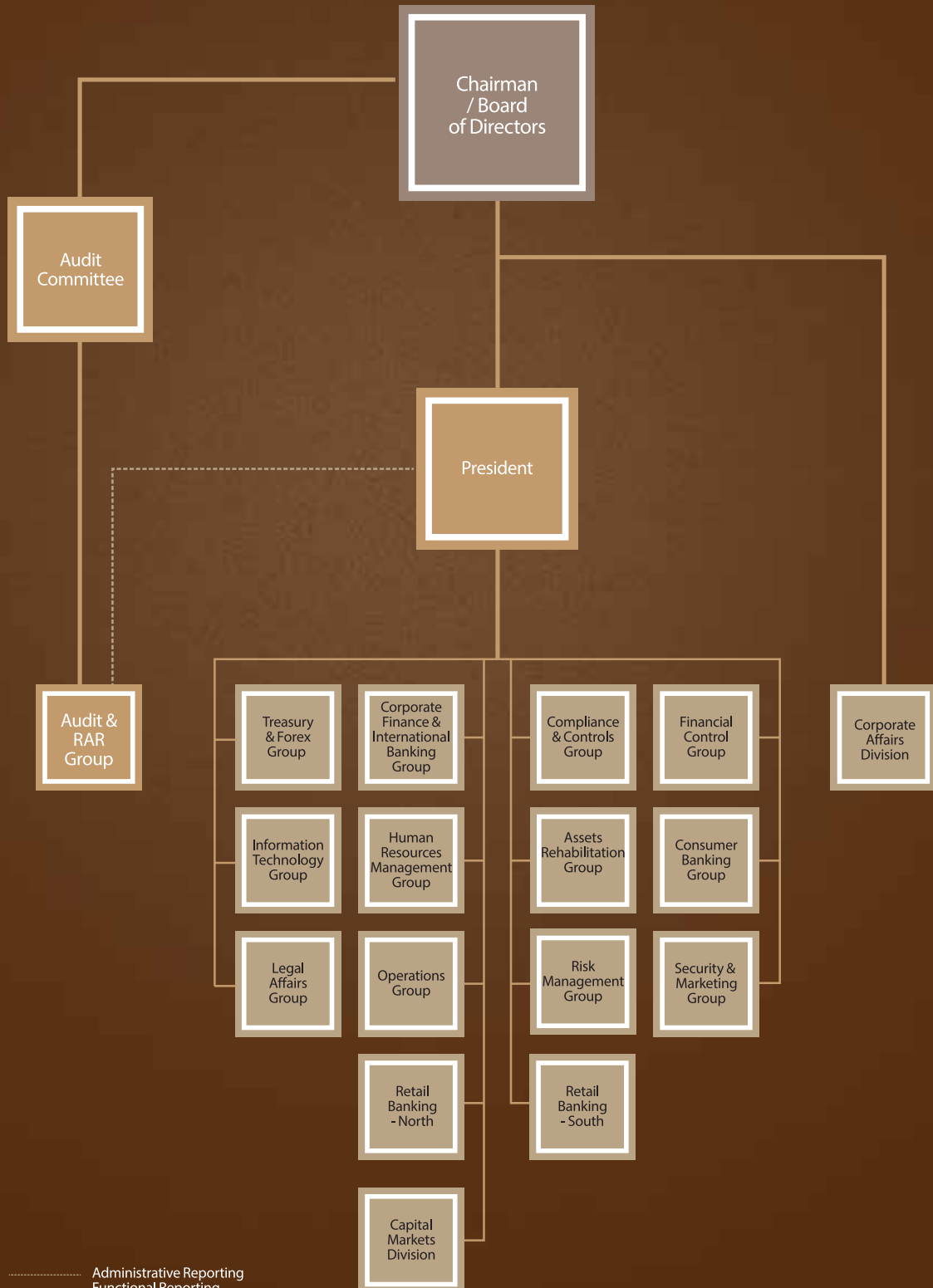
Prior to joining MCB Bank in 2002, Mr. Maqbool was associated with local banking operations of Bank of America and Citi Bank for more than seventeen years. He worked at various senior-management level positions in respective banks. Mr. Maqbool holds an MBA from Institute of Business Administration (IBA)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

Other Directorships:

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



ORGANIZATIONAL STRUCTURE



MANAGEMENT COMMITTEE



Standing (L – R) : Nadeem Afzal, Salman Zafar Siddiqi, M. Nauman Chughtai, Laqa Sarwar,

Sitting (L – R) : Mohammad Ramzan, Azfar Alam Nomani, Imran Maqbool,



Standing (L – R) : Zargham Khan Durrani, Faisal Ejaz Khan, Syed Mudassar Hussain Naqvi, Farid Ahmad, Kamran Zaffar Muggo

Sitting (L – R) : Usman Hassan, Muhtashim Ashai, Hassan Nawaz Tarar

OTHER SENIOR MANAGEMENT



FIDA ALI MIRZA
COMPANY SECRETARY

**MALIK ABDUL
WAHEED**
ADVISOR TO CHAIRMAN



AGHA SAEED KHAN
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.

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.

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

Adamjee Insurance Company Limited

Holding: 24.48%

Euronet Pakistan (Private) Limited

Holding: 30%



CHAIRMAN'S MESSAGE

It brings me great pleasure to announce another successful year at MCB Bank Limited based on our performance in 2016. We further cemented our position as Pakistan's leading private sector bank and continued to exceed stakeholder expectations in terms of fiscal performance, product differentiation and service delivery. Our management, Board of Directors and Regulators have played a major role in our continued success and we are sincerely grateful for all their support.

2016 has not only been a fruitful year for MCB Bank Limited, but it's been a great year for the Pakistani economy. Our economy continues to grow at a healthy rate, as government led macroeconomic and structural reforms, lower oil prices and an improved security climate made a positive impact on our GDP, which at an estimated 4.71% is the highest growth achieved since FY 2009. This growth was largely spurred by the industrial sector, where the manufacturing, construction and energy sectors made marked contributions.

The now merged Pakistan Stock Exchange (PSX) also demonstrated unprecedented growth. During a period of time where other foreign Exchanges were experiencing a downturn, the KSE - 100 INDEX reached 47,806.97 points, the highest ever closing achieved in our Stock Market's history. Indeed, PSX's stellar performance has already attracted the attention of a consortium of Chinese investors who have demonstrated positive interest in a sizeable stake in the bourse. This bodes well for Pakistan, as a growing economy and stock market leads to renewed interest by foreign investors who are eager to capitalize on the country's potential. The ambitious China Pakistan Economic Corridor (CPEC) and its associated projects are further evidence of this and are set to revolutionise our economy and enable Pakistan to become a regional economic force to be reckoned with.

As Pakistan's leading financial institution, we are well equipped and well placed to take full advantage of our economy's bright prospects. Our experienced leadership has the tenacity to steer the Bank through difficult times and the acumen to seek out new lucrative opportunities for profitability and growth. MCB Bank's innovative products and services ensure that the Bank is always providing customers with banking solutions of the utmost quality and of international standards. It's our unflinching focus on excellence, performance and results that has made our institution the bulwark of the banking industry it is today.

At the end of the day, our greatest competitors will always be ourselves. We look forward to working closely with our customers, employees, shareholders and stakeholders to improve ourselves further and to conduct our business in a way that makes you proud to be associated with MCB Bank, your Bank for Life. I look forward to your continued support and wish you a prosperous and rewarding future with MCB Bank Limited.

Mian Mohammad Mansha
Chairman
MCB Bank Limited



PRESIDENT'S REVIEW

One of the many things that make MCB Bank unique is our rich history that spans almost 70 years. MCB Bank is one of two Pakistani banks dating to the 1940s and were incorporated before the creation of Pakistan. This year we will celebrate ours and Pakistan's 70th anniversary with zeal and fervor.

The most powerful expression of our history and heritage is not in documents or in our numerous landmark buildings spread across Pakistan, but is in the millions of relationships we have formed over generations with customers, team members and shareholders. Earning such lifelong relationships is fundamental to achieving our Bank's mission of "providing innovative and efficient financial solutions to create and nurture long-term relationships with our customers." Whether we are helping a child or a student open his / her first account, a young professional digitize his banking needs for easy accessibility, a family purchase a home, a business owner expand, or a retiree manage investments, we are there, offering them the products and services they need. Earning relationships while helping customers is the core of our business.

Our focus on customers, our strong risk and expense discipline, and our diversified business model helped us to produce another solid year of financial performance during 2016 in terms of profitability and asset base, even as we navigated the pressures of low interest rates and economic volatility. MCB Bank reported Profit Before Tax of Rs. 36.07 billion and Profit After Tax of Rs. 21.89 billion; with Net Markup Income of Rs. 43.8 billion. Assets of the Bank grew by 5% over last year to reach Rs. 1,052 billion. We continued to deliver for our shareholders in 2016 with consistent growth in book value per share over the past many years. It reached Rs. 105.97 in 2016, depicting a growth of over 5.5% in the last 5 years, from Rs. 79.85 in 2012. Our financial performance and balance sheet strength allowed us to return more capital to our shareholders in the form of dividends during 2016, totaling Rs. 17.8 billion. Together we have accomplished a great deal over the last several years which demonstrates the resiliency of our institution and the talent of our people to perform and produce above par results even in the face of a tough revenue environment and persistent regulatory, economic and other headwinds.

Growth in our deposit of Rs. 84.63 billion (12.14%) against last year, depicts the loyalty of our customers, earned through providing quality services. Deposit exceeded Rs. 781 billion with an increased concentration on Current Account - Savings Account (CASA) composition (94.13%) as at December 31, 2016. We welcomed more than 450,000 new customers in 2016, stretching our customer base to 6.5 million. Continuing with our aim to serve our customers closer to their doorstep,

we added 18 new branches / sub-branches and 118 new ATMs to further stretch our expansive network to 1,238 local and foreign branches, 11 sub-branches and 1,191 ATMs. As a financial institution, our business is to take risk in a responsible manner that serves our clients and helps the economy grow. Whether investing in a small business, making a credit decision, or preventing unethical financial practices, nearly every aspect of our work calls for sound judgment and a commitment to doing what's right. Quality of MCB Bank credit portfolio is as good as it gets with a 6.3% improvement in infection ratio from last year reaching 5.90% (YE15: 6.32%) along with coverage ratio of 90.82% (YE15: 90.37%). Our gross advances reached an all-time high of Rs. 367.68 billion as at December 31, 2016, while the asset mix analysis highlights growth of 14.42% over last year in net advances to Rs. 43.86 billion. On the provisions front, we acted prudently and subjectively downgraded our portfolio in the last quarter of 2016. Similarly trade and home remittances businesses also contributed to achieve our splendid growth. Our Home Remittances unit alone handled cumulative volume of Rs. 232.3 billion with an impressive growth of 9% over 2015. On the interest expense side, a decrease of Rs. 7.42 billion over last year was registered, which commensurates with the decreasing interest rate environment and our strategy to taper off high cost deposits in line with our continued focus on cost control and deployment of cost-effective measures. Much of the resources we save are reinvested in our businesses where the greatest returns can be generated. For 2016, Return on Assets and Return on Equity were reported at 2.13% and 18.94% respectively, while Earnings per Share for the year remained Rs. 19.67.

Our strong financial position was reinforced through continuance of our long and short term credit rating of AAA [Triple A] and A1+ [A one plus], respectively, by PACRA. Our performance and customer focus earned us external recognition in many ways during 2016. For instance, FinanceAsia and Euromoney both declared MCB Bank as the "Best Bank in Pakistan 2016;" The Banker awarded the title of "Most Innovative Investment Bank for Islamic Finance" to MCB Bank under their Investment Banking Awards 2016; joint committee of ICAP/ICMAP once again conferred "Best Corporate Report" award in Banking Sector category to MCB Bank annual report for 2015; and Karachi Stock Exchange ranked us among the top 25 companies in Pakistan. While accolades are rewarding, our highest honour is the trust that customers place in us and trust is best built through relationships. Another benefit of our Bank's consistent performance is its ability to be well positioned for strategic acquisitions to support growth. We continued to explore investment opportunities within and outside Pakistan in order to further expand our local as well as international footprint and strengthen our outreach beyond our existing network in Sri Lanka, Dubai and Bahrain. These additions should grow our business and provide greater opportunities for us to expand and further strengthen our relationships with customers.

We believe that a major area central to our growth in the future is digitization. We redesigned mcb.com.pk to provide more personalized experiences with simpler navigation both in English and in Urdu, making it easier for our customers to interact and bank with us, when and how they want – via smartphones, laptops or other mobile devices. Our MCB Mobile and Internet Banking customers have crossed the 1 million mark, a 25% increase over prior year, and they carried out 8.78 million transactions in 2016 worth over Rs. 23 billion. Our branchless model MCB Lite, has started gaining traction after a re-focus in its strategy in 2016. During the year, 170,000 plus 'Liteians' conducted 834,000 transactions worth Rs. 2.6 billion. With over 2.1 million active Debit Cards, Payment Volume growth of MCB Bank debit offerings remained significantly higher than that of the industry during 2016. Similarly, almost all products of our Consumer Lending and Wealth Management units did record business since last many years. A 21% YoY growth was seen with 6,751 auto loans disbursed during 2016, while 11,060 new issuances gave a 10.6% jump to the total number of our credit card customers that exceeded 50,000. Our home loans set new records with a 110% jump over last year, with total volume of Rs. 504 million. Bancassurance business also set its highest sales record since inception with total fresh premium of Rs. 1.72 billion, a growth of 19% over 2015. Our goal of serving all customers includes those with special needs. We are focused on eliminating accessibility barriers for such customers; from providing trouble free access to our branches, to using technology to serve them. For instance our visually impaired customers are assisted through voice enabled and brail supported ATMs, and we plan to go a step ahead by soon launching a specialized debit card for further convenience of such customers.

Our industry is undergoing significant transformation and the pace of commotion in the banking industry is accelerating. More and more of our competition is coming not just from other banks but from non-bank newcomers to the market, putting a significant portion of bank business and revenues at risk. This transformation of the competitive landscape through new entrants has been facilitated through digitization of banking services and propulsion of e-Banking and e-Commerce. Provision of an effective payment solution, that is diverse and wide ranging, has emerged as the basic ingredient for growth in today's digital era. Having said that, progress in this rapidly evolving scenario lies in cross-industry collaboration, as none

of the value chain participants alone can deal with the challenges involved in cash minimization and digitization. Our Digital Banking team's proactive and avant-garde initiatives have created industry wide impact and have elevated MCB Bank and its digital offerings to emerge as a strong force in the payment industry. We created a unique, innovative and first of its kind eco-system for the growth of local e-Commerce industry called "Payment Facilitator Model." Under this Model we extend our e-Commerce Gateway to business partners along with end-to-end support. The two major telecommunication operators of Pakistan have already partnered with MCB Bank as its Payment Facilitators and are generating a massive transactional throughput. Arrangements under this model have helped in scaling up the local e-Commerce industry within a very short span of time and we believe that such scale will become a national asset in the days to come.

As our Bank moves forward, we will keep our focus on earning and building lifelong relationships. That is how we have done business for the past 70 years and that focus is at the heart of our culture. The overwhelming majority of our people know right from wrong and strive to do the right thing every day, in all aspects of our work. But it takes only one person to jeopardize our credibility and everything we work for. The financial impact of fraud can be calculated, the harm to our credibility is harder to gauge. That is why we must be ever vigilant in our commitment to fortify our controls and enhance our historically strong culture, continuing to emphasize that doing the right thing is the responsibility of every employee at the Bank. We all have an obligation to treat our customers fairly, to raise our hand when we see something wrong or to speak up about something that we should improve, rather than just complain about it or ignore it. I expect the very highest standards from each and every member of our team. When we follow these principles, we gain trust and earn relationships that reach across decades and generations.

Our commitment to improve our conduct and controls is factored into every strategic and operational decision we make. During the last four years we have undertaken a fundamental streamlining of our Bank and put in place strict controls. We are on the front line in the fight against financial crime and take this responsibility most seriously. Every activity of MCB Bank now passes through a compliance filter which today constitutes the backbone of banks in terms of regulations.

We have always believed that our team members are our most valuable resource and we want them to be with us for the long term. Through our recruitment programs we are investing in the future by bringing the best and brightest to work at MCB Bank. We invest in them by offering competitive salaries, professional training and development, leadership opportunities, and by giving them the support they need to build a career, achieve their goals, and have the resources they need to improve their lives and the lives of their families. As all that we are and all that we achieve is because of our employees, I want to thank them eternally for their hard work and dedication. I am grateful to our shareholders who show their trust by investing in us. We are fortunate to have a diverse and experienced Board of Directors, with wealth of experience and depth of knowledge that provides independent oversight, support and guidance to the management and for that, I extend my sincere appreciation to each member of our august Board.

We never take for granted the trust our customers have placed in us, and we understand the humble role we play in Pakistan's economic growth. If we serve our customers well and manage our business effectively and efficiently, we will maintain sustainable financial growth that will help us to consistently contribute to our nation's economic progression. All our triumphs, successes and achievements have been made possible by more than 18,200 teammates who come to work every day to assist clients, improve our societies and make MCB Bank the best possible place to work. I feel enormously blessed to work for this Bank and with such talented team. Together, we have achieved considerable progress over the last 70 years and we resolve to take our Bank forward and deliver "Bank for Life" with more value to our customers, in order to play our due role in the economic development of our country.

Imran Maqbool
President & CEO
MCB Bank Limited

AWARDS & ACCOLADES INTERNATIONAL RECOGNITION



“Winner -Best Corporate Report Award 2015 – Banking Sector”

“Winner” - Best Corporate Report Award 2014
 “Winner” - Best Corporate Report Award 2013
 “Winner” - Best Corporate Report Award 2012
 “Runner-up” Best Corporate Report Award 2011
 “Winner” - Best Corporate Report Award 2010
 “Winner” - Best Corporate Report Award 2009



Best bank in Pakistan - 2016
 Best bank in Pakistan - 2015



Ranked among the **Top 25 Companies** in Pakistan



Best bank in Pakistan - 2016
 Euromoney Awards for Excellence 2012:
 Best Bank in Pakistan 2011, 2008, 2003
 2005, 2001, 2000
 Best Bank in Asia 2008



Best Domestic Bank in Pakistan:
 2014; 2009, 2008, 2006, 2005 &
 2004



Best Commercial Bank – Pakistan 2012



2012: Ranked 624, 2011: Ranked 606,
 2010: 621
Country Ranking: 3rd highest among the
 local Top 5



CSR Business Excellence Award
 2012: Best Media Coverage



Best Bank Led Mobile Money Transfer Program 2010



THE ASIAN BANKER SUMMIT

Asia's Foremost Event on Transformational Issues in the Financial Services Industry

The QFC Asian Banker Leadership Achievement Award 2010



Strongest Bank in Pakistan 2014
 Strongest Bank in Pakistan 2010



Winner – Best Presented Annual Accounts 2014

1st Runner Up Best Presented Annual Report Awards 2013
 Category Private Sector Banks
 2nd Runner Up Best Presented Annual Report Awards 2012
 Category Private Sector Banks
 Joint 2nd runner-up in the banking sector - Best Presented Accounts and Corporate Governance Disclosure Awards 2010



Most Stable Bank of the year 2014
 Best Bank of the year 2013 – Large Bank
 Most Stable Bank of the year 2013
 Investor Relations Award 2011: Runner-up
 Best Bank of the Year 2011
 Most Stable Bank of the Year 2011



Triple A Country Awards
 Best Domestic Bank – Pakistan 2014: 2013: 2012:
 Best Bank – Pakistan 2014

HIGH LIGHTS

PBT
PKR 36.1 billion
(-15%)

Assets
PKR 1,052 billion
(+5%)

**Non-Markup
Income**
PKR 16.2 billion
(-2%)

ROE
18.94%

Deposits
PKR 781 billion
(+12%)

Advances (Gross)
PKR 368 billion
(+14%)

**Winner of
BCR - 2015
by ICAP/ICMAP
(Banking Sector)**

ROA
2.13%

**Best Bank
Award by
Euromoney &
Finance Asia**

**Market
Capitalization**
PKR 265 Billion
(December 31, 2016)

Investments
PKR 556 billion
(-2%)

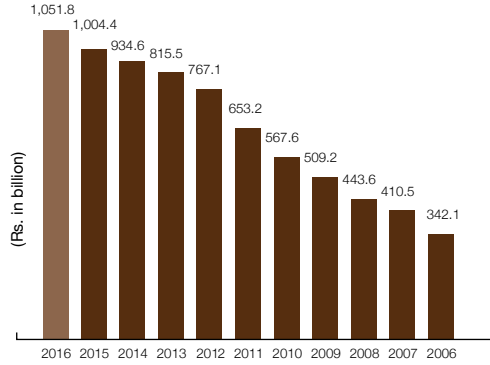
2016

Financial Performance

10 Years Trend (2006 - 2016)

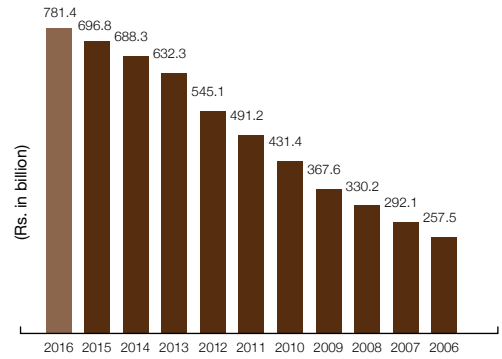
Total Assets

CAGR 12%



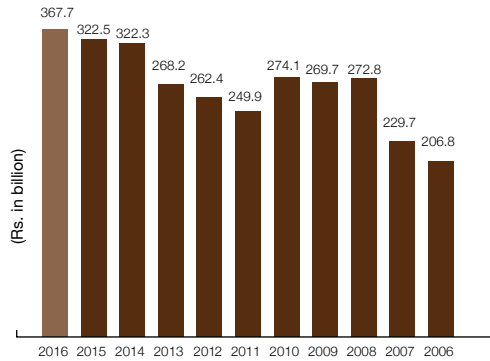
Deposits

CAGR 12%



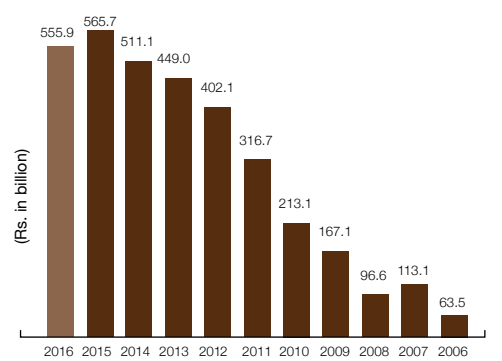
Gross Advances

CAGR 6%



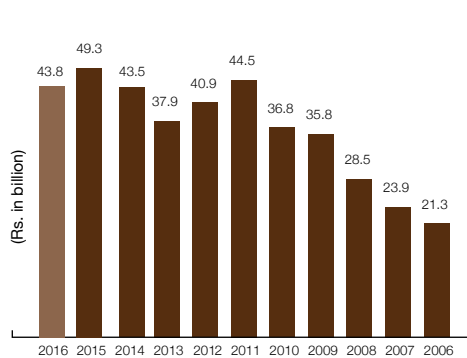
Investments

CAGR 24%



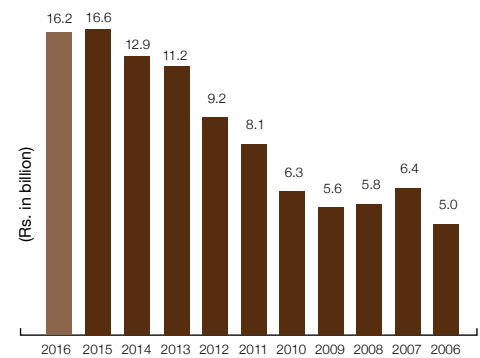
Fund Based Income

CAGR 8%



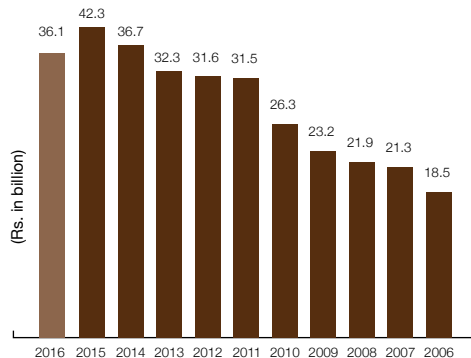
Non Markup Income

CAGR 13%



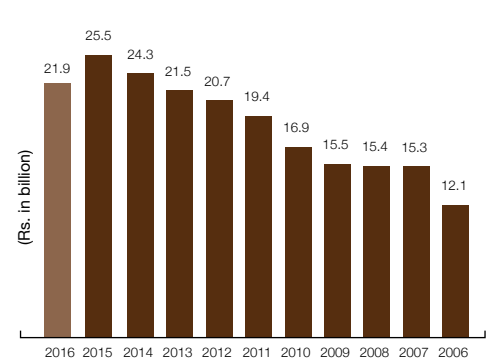
Profit Before Tax

CAGR 7%



Profit After Tax

CAGR 6%



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	In spite of the challenges posed by compression in Net Interest Margin, MCB Bank registered a remarkable Profit Before Tax of Rs. 36.07 billion with Profit After Tax of Rs. 21.89 billion. As compared to 2015, PBT and PAT have decreased by 14.77% and 14.31% respectively, mainly on account of decreased yields on advances and investments in-line with interest rate movements.	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 per share in 2016 (2015: 160%) which is the highest in the banking industry.	The CPI shall remain relevant in future
The Bank aims to increase its share in 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 12.14% in its deposit base as compared to 2015 with incremental volume of Rs. 84.63 Billion. CASA base is one of the highest CASA mixes in the banking industry of 94.13%. Market share of domestic deposit stood at 6.79% at year end.	The CPI shall remain relevant in future
To ensure quality asset retention with measures to constantly decrease the NPLs base of the Bank.	<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 14% was recorded in gross advances over 2015, with incremental portfolio of Rs. 45.15 Billion. During the year NPLs of the Bank increased by Rs. 1.32 billion. The infection ratio has decreased from 6.32% as at December 2015 to 5.9% as at December 2016. The coverage ratio of the Bank improved to 90.82% as at December 31, 2016. 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 over 90% 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 a nominal decrease of 0.67% over 2015.	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. The Bank maintained Common Equity Tier-1 (CET1) to total risk weighted assets ratio at 16.79% 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 2016 as presented in Annual Report 2015

Forward-looking disclosure for 2016 as presented in annual report 2015

After posting exceptional performance for the year 2015, we are all geared up for the challenges ahead. The economy remained on the recovery track for the year 2015 with improvements in the major macro-economic factors. From banking industry perspective, the challenges posed by a rapidly decreasing interest rate environment, law and order situation coupled with deposit attrition recorded due to taxation laws changes were all met with grace. In these challenging times, the Bank adhered to its strategy of delivering exceptional returns to its shareholders. Moving forward, with increased competition and concerns on the global outlook, delivering exceptional results becomes even more challenging. However, we remain committed to continue our success journey which is fuelled by our dedicated team of professionals who take every possible opportunity to serve our esteemed customers. We are confident that our expanding network of branches would impressively contribute to meet our valuable shareholders expectations.

Strengthening international footprints, improvement in our asset quality, increased deposit base, deployment of cost efficient techniques and increased contribution from non-markup income would be our key areas of attention. To quickly penetrate in the unbanked segment of our population, we aim to utilize our growing branchless banking channel for deposit mobilization and fee generation. We remain committed to the financial inclusion program to ensure that the nation receives the best banking services that MCB has to offer. Equity markets around the world have shown volatility in the year 2015 and start of 2016. However, we believe that such volatilities provide opportunities to translate them into significant gains.

For deposit base, we remain committed to our low cost CASA base. We are focused on increasing the current account concentration in our deposit franchise to supplement our net interest margins.

Growth in credit appetite of the private sector provides opportunities to increase their lending book. Being a mainstream business line for a banking institution, MCB Bank remains committed to any good opportunity that falls within the risk appetite defined by the institution. Maintaining a low infection ratio is one of the key targets in future. We have been constantly adding products and services to our menu and anticipate significant growth in our non- fund based income block moving forward. Our special emphasis is on increasing our digital banking space to align ourselves with the ever changing business dynamics.

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 2016 as presented in Annual Report 2015

Performance of the Bank in 2016 against forward-looking disclosure

MCB Bank Limited reported a Profit Before Tax (PBT) of Rs. 36.07 billion and a Profit After Tax (PAT) of Rs. 21.89 billion. Net markup income of the Bank was reported at Rs. 43.8 billion, down by 11.25% over last year. On the gross markup income side, the Bank reported a decrease of Rs. 12.97 billion which was mainly on account of decreased yields on advances and investments in-line with interest rate movements.

On the non-markup income front, the Bank reported a base of Rs. 16.22 billion with major contributions from fees & commissions, Capital gains and dividend income.

The administrative expense base (excluding pension fund reversal) recorded a nominal decrease of 0.67% over last year. Due to effective risk management framework the charge for the year against provision was of Rs. 654 million.

The total asset base of the Bank was reported at Rs. 1,051.81 billion presenting an increase of 4.72% over 2015. Analysis of the asset mix highlights that net investments have decreased by Rs. 9.77 billion (-1.73%) with net advances increasing by Rs. 43.86 billion (+14.42%) over December 31, 2015. The coverage ratio of the Bank was reported at 90.82% with an infection ratio of 5.90%.

On the liabilities side, the deposit base of the Bank recorded an exceptional increase of Rs. 84.63 billion (+12.14%) over December 2015. MCB Bank Limited continued to enjoy one of the highest CASA mixes in the banking industry of 94.13% with current deposits increasing by 16% and savings deposits by 11% over December 2015.

Return on Assets and Return on Equity were reported at 2.13% and 18.94% respectively, whereas book value per share stood at Rs. 105.97.

MCB Mobile Banking continued to grow at a much faster pace with an active customer base exceeding 850,000 showcasing an increase of 30% over 2015.

With one of the largest ATM networks in the industry, the Bank continued to expand and added 118 new ATMs in 2016 crossing a mega network size of 1,190+ ATMs, ensuring strong footprint and convenience for all its customers nationwide. During the year, the Bank also added 18 new branches 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. 232 billion in 2016 with a growth of 9% over 2015.

Detailed analysis covering performance and achievements of respective groups against their targets for 2016 is included in the Groups' review section of this annual report.

Performance: 2016 at a Glance

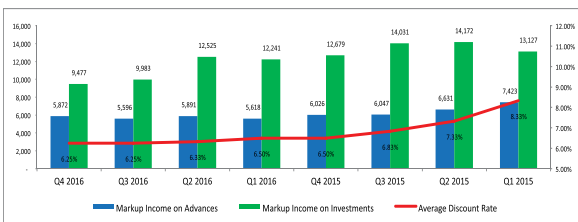
MCB Bank Limited's performance as compared to the previous year is as follows:

Profitability

Profit after tax of the Bank closed at Rs. 21.9 billion registering a decrease of 14% over last year while Profit before tax has decreased to Rs. 36.1 billion decreased by 15% as compared to profit reported in 2016. Its decrease is mainly owing to 11% decrease in net markup income.

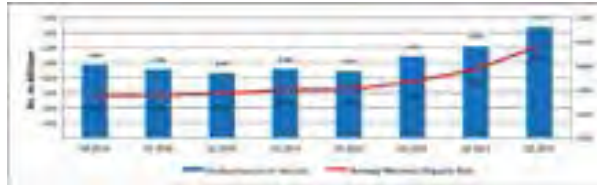
In 2016, gross markup Income is decreased by 16% which was contributed by decrease in Markup Income on AFS Investments due to maturity of high yield Pakistan Investment Bonds and decrease in discount rate. Markup Income on investment is decreased by 18% and closed at Rs. 44.2 billion while Markup Income on advances is decreased by 12%. Even the continuous drop of interest rate over the past years bank is able to manage healthy spread of 4.61% as compared to 5.15% in 2015.

Analysis of the interest earning assets highlights that income on advances decreased by Rs. 3.1 billion owing to 150 bps decrease in yield. Although bank advances based has been increased considerably and on average Rs. 18.2 billion has been added. Out of Rs. 3.1, Rs. 1.6 billion is increased due to volumetric increase in advances which is offset by Rs. 4.7 billion decrease due to decrease in interest rate. On the investment side, markup income reported a decrease of Rs. 9.7 billion which was mainly driven by volume as well as price variance. The yield on investment portfolio has dropped by 123 bps when compared with 2015.

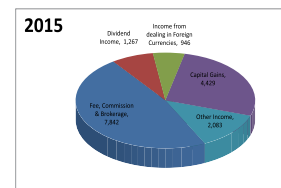
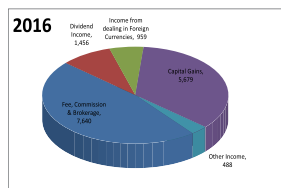


On the interest bearing liabilities side, the consistent tapering of high cost deposits in past years along with the decrease in minimum deposit rate resulted in a significant drop of 75 bps in 2016. The average volume of deposits registered an increase of Rs. 14.6 billion YoY average.

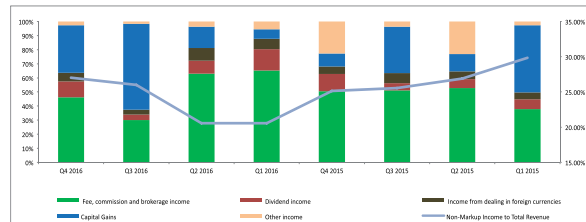
The cost of saving deposits has decreased by Rs. 3.6 Billion with 98 bps reduction in cost whereas fixed deposit portfolio cost has decreased by 127 bps.



Non-markup income of the bank registered a slight decrease of 2.1% and closed at Rs. 16.2 billion as compared to Rs. 16.6 billion in 2015. Fee, Commission & Brokerage income was the main contributor as almost 50% non-markup income has been generated from Fee & Commission Income. The Bank has taken significant advantage for historical high performance of equity markets and recorded a healthy growth of 28% in Capital Gains. Rs. 1.98 billion has been earned by disposal of equity securities while Rs. 3.7 billion has been earned from disposal of Government Securities.



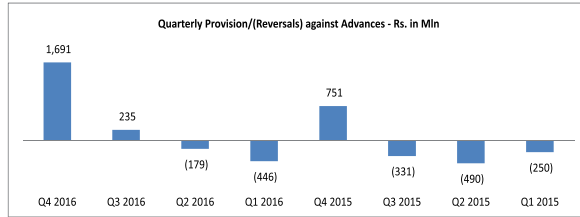
The main contributor of Fee, Commission Income are Card Business Income, Bancassurance and Commission on Remittance and Cash Management. Catering to the financial and transactional requirements of our privileged customers Card Based Income has supplemented the fee, commission income by Rs. 108 million.



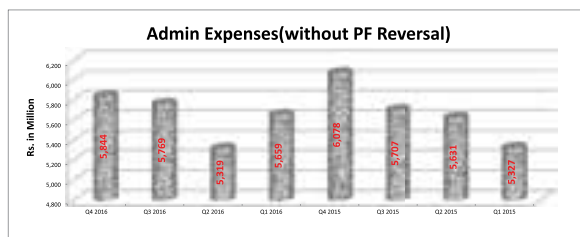
Income from dealing in foreign currencies is steady and closed at Rs. 959 million with an increase of 1.4% over 2015. The ratio of non-markup income to net revenue (Net Markup Income + Non-Markup Income) has increased to 27.04% in 2016 from 25.14% in last year.

Performance: 2016 at a Glance

Performance of our recovery unit remained exceptional since past couple of years. Reversal has been posted in 1st half of the year while charge has been taken due to some subjective downgrading in 3rd and 4th quarter of the year. The quarterly breakdown of the trend is presented in the below table:

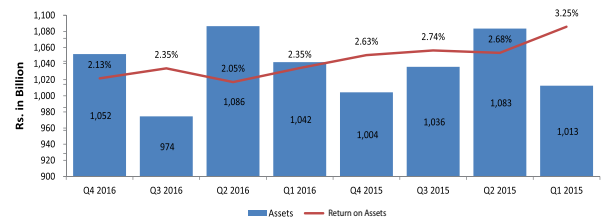


On the administrative expenses side, the Bank is able to maintain it and registered a meager growth of Rs. 106 million which is even less than 1% over 2015. This has been done by effective utilization of resources and proper check and control over budgetary limits. Maximizing operational efficiencies and synergies across the bank are our fundamental sources to keep the admin expenses within budgetary limits. Increase was registered in outsource staff cost due to revision in minimum wages by Federal and Provincial Governments and other area where major increase was registered is repair & maintenance. This increase was offset by decrease in Rent, Rates and other utility expenses. Pension fund reversal for the period was reported at Rs. 516 million as compared to Rs. 776 million reported for the last year.

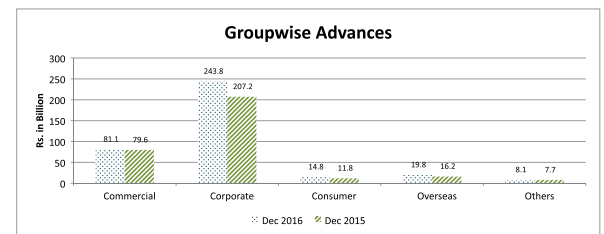


Statement of Financial Position

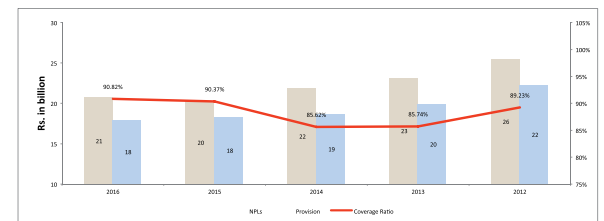
The total asset base of the bank crossed threshold of PKR 1 trillion in 2015 and able to maintain it at the end of 2016 as well and now reported at Rs. 1.052 Trillion as at December 31, 2016, reflecting an increase of 4.72% over December 2015. Increase in asset base is driven by Investments and Advances over the past years. Despite the healthy increase in asset base bank is able to maintain highest Return on Assets in industry since past many years.



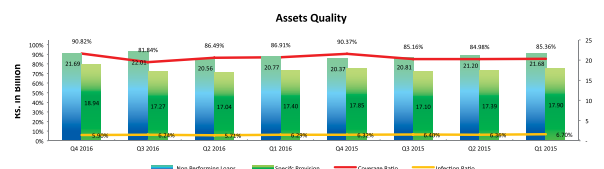
Assets mix highlights that main contributor to the said increase were net advances which grew by Rs. 44 Billion and closed at Rs. 348 billion. Group wise categorization of advances highlights an increase of Rs. 36.6 billion for Corporate Banking while Rs. 3.6 billion and Rs. 3.0 billion for Overseas and Consumer Banking respectively.



The NPL base of the Bank showed decreasing trend over the past several years and improved its assets quality over the years. Over the past years significant recoveries have been posted and coverage ratio has been well maintained.

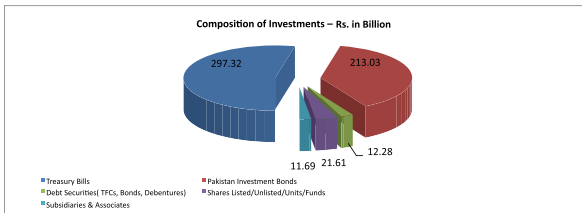


NPLs has increased due to classification of some portfolio in last quarter of 2016. With reference to the concentration of NPLs, 97.83% of the total base is categorized in the "loss" category for which 100% provision is held after deducting liquid security benefit. The coverage ratio of the Bank has improved to 90.82% 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 5.90% as compared to 6.32% as at December 31, 2015.

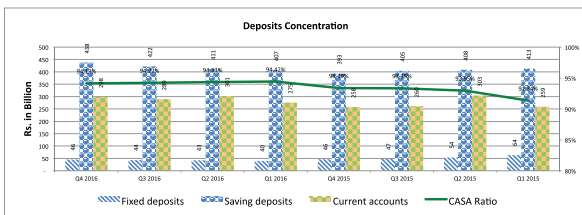


Performance: 2016 at a Glance

The net investment base of the Bank was reported at PKR 555.9 billion, reflecting a decrease of Rs. 9.8 billion over December 31, 2015 in absolute terms. Approximately 92% of the investment base is in risk free PIBs and Treasury Bills with 6% exposure in equity securities. T-Bills concentration levels have improved from 42% as at December 2015 to 55% with PIBs concentration level dropping from 51% as at December 2015 to 37%. With reference to the concentration levels in different maturity buckets, 45.79% of the T-Bill exposure is classified in 3 months category, 7.72% in 6 month category and remaining 46.49% in 1 year category. On the PIBs side, 27.63% is concentrated in 3 years, 59.49% in 5 years and 12.87% in 10 year and above category. On the equity portfolio front, the Bank has reversed provision on account of disposal of equity shares.



The deposit base of the Bank recorded an increase of 12% over December 2015 with CASA base of the Bank gaining strength to 94.13% with current accounts growing by 16%, saving by 11% with fixed deposits is maintained. As a strategic move, the Bank has been tapering off its high cost deposits since many quarters to align with the decreasing interest rate environment and supplement its net interest margins. The impact of the said move can be substantiated with 75 bps decrease in the cost of deposits during 2016 and higher trend was observed in 2015. The Bank is managed to increase its CASA base and maintained it as one of the highest in industry.



Non-financial performance

Non-financial performance during the year is tabulated below:

	2016	2015
	Numbers	
Branches opened during the year	15	25
Credit cards issued during the year	11,060	10,647
Accounts opened during the year	451,732	449,260
Debit Cards issued during the year	666,999	642,649
ATMs installed during the year	118	136

Six Years Financial Summary 2011 - 2016

		2016	2015	2014	2013	2012	2011
Profit & Loss account							
Mark-up/ return earned	Rs. Mln	67,422	80,393	77,269	65,064	68,356	68,147
Mark-up/ return expensed	" "	23,655	31,077	33,757	27,196	27,500	23,620
Fund based income	" "	43,767	49,316	43,512	37,868	40,856	44,526
Fee, Commission, brokerage & FX income	" "	9,087	10,871	10,235	8,108	7,131	6,373
Dividend and capital gains	" "	7,135	5,695	2,709	3,063	2,022	1,739
Total income	" "	59,989	65,882	56,456	49,039	50,010	52,639
Operating expenses	" "	22,989	22,895	21,591	19,639	18,077	16,987
Operating profit before tax and provision	" "	36,999	42,987	34,865	29,400	31,933	35,651
Provisions / write-offs	" "	925	659	(1,864)	(2,888)	291	4,168
Profit before tax	" "	36,075	42,329	36,729	32,288	31,642	31,483
Profit after tax	" "	21,891	25,546	24,325	21,495	20,673	19,425
Cash Dividends	" "	17,808	17,808	15,582	14,166	11,959	10,036
Bonus shares	" "	-	-	-	1,012	920	836
Statement of Financial Position							
Authorised capital	" "	15,000	15,000	15,000	15,000	10,000	10,000
Paid up capital	" "	11,130	11,130	11,130	10,118	9,199	8,362
Reserves	" "	53,347	51,309	48,830	46,601	44,253	42,186
Unappropriated Profit	" "	53,469	50,747	46,948	40,552	35,425	28,724
Shareholder's equity	" "	117,946	113,186	106,908	97,272	88,877	79,273
Surplus on revaluation of assets - net of tax	" "	23,680	24,616	23,196	12,959	13,594	9,887
Net Assets	" "	141,627	137,802	130,104	110,231	102,471	89,160
Total Assets	" "	1,051,814	1,004,410	934,631	815,508	767,075	653,782
Earning Assets	" "	911,163	872,594	818,676	718,990	663,330	570,362
Gross Advances	" "	367,678	322,529	322,318	268,192	262,392	249,914
Advances - net of provisions	" "	347,980	304,122	303,559	248,243	239,583	227,580
Non-Performing Loans (NPLs)	" "	21,688	20,368	21,908	23,268	25,562	26,665
Investments	" "	555,929	565,696	511,137	449,006	402,069	316,652
Total Liabilities	" "	910,187	866,608	804,527	705,277	664,604	564,622
Deposits & other accounts	" "	781,430	696,805	688,330	632,330	545,061	491,189
Current & Saving Deposits (CASA)	" "	735,550	650,739	626,112	567,728	464,411	399,687
Borrowings	" "	74,515	118,040	59,543	38,543	78,951	39,101
Interest bearing Liabilities	" "	557,913	557,056	511,446	456,348	434,619	362,843
Contingencies and Commitments	" "	307,566	320,888	226,554	265,428	143,803	165,014
Profitability Ratios:							
Profit before Tax ratio	%	53.51%	52.65%	47.53%	49.63%	46.29%	46.20%
Gross Yield on Average Earning Assets	" "	7.56%	9.51%	10.05%	9.42%	11.08%	12.80%
Gross Yield on Avg. Earning Assets (incl. dividend & capital gains)	" "	8.36%	10.18%	10.40%	9.86%	11.42%	13.14%
Gross Spread	" "	64.91%	61.34%	56.31%	58.20%	59.77%	65.34%
Non interest income to total income	" "	27.04%	25.14%	22.93%	22.78%	18.30%	15.41%
Return on average equity (ROE)	" "	18.94%	23.21%	23.83%	23.09%	24.59%	26.17%
Return on average assets (ROA)	" "	2.13%	2.63%	2.78%	2.72%	2.91%	3.18%
Return on Capital Employed (ROCE)	" "	18.94%	23.21%	23.83%	23.09%	24.59%	26.17%
Cost to income ratio	" "	36.80%	33.34%	36.51%	38.15%	34.95%	29.61%
Cost to income ratio (excluding pf reversal)	" "	37.66%	34.52%	37.98%	41.62%	38.81%	33.77%
Admin Exp. to Profit before Tax	" "	61.19%	51.90%	56.12%	57.95%	55.23%	49.50%
Investment ratios:							
Earnings per share (after tax)**	Rs.	19.67	22.95	21.85	19.31	18.57	17.45
Earnings per share (before tax)**	" "	32.41	38.03	33.00	29.01	28.43	28.29
Breakup value per share (excl. surplus on rev. of assets)**	" "	105.97	101.69	96.05	87.39	79.85	71.22
Net assets per share**	" "	127.24	123.81	116.89	99.04	92.06	79.78
Market Ratios							
Cash Dividend	%	160%	160%	140%	140%	130%	120%
Bonus Shares Issued	" "	-	-	-	10.00%	10.00%	10.00%
Dividend Yield ratio (based on cash dividend)	" "	6.73%	7.38%	4.58%	4.98%	6.20%	8.92%
Dividend Payout ratio	" "	81.35%	69.71%	64.06%	70.61%	62.29%	55.97%
Price to book value ratio	Times	2.24	2.13	3.18	3.22	2.63	1.89
Price to earning ratio	" "	12.09	9.45	13.99	14.56	11.29	7.71
Dividend cover ratio	" "	1.23	1.43	1.56	1.52	1.73	1.94

Six Years' Financial Summary 2011-2016

		2016	2015	2014	2013	2012	2011
Share Information							
Market value per share - Dec 31	Rs.	237.82	216.85	305.65	281.17	209.76	134.60
High - during the year	" "	244.82	338.82	311.00	323.00	216.75	250.48
Low - during the year	" "	190.20	205.34	234.51	182.20	133.00	134.00
Market Capitalisation	Rs. Mln	264,701	241,361	340,198	284,501	192,950	112,557
Asset Quality and Liquidity ratios:							
Gross Advances to deposits ratio	%	47.05%	46.29%	46.83%	42.41%	48.14%	50.88%
Net Advances to deposits ratio	" "	44.53%	43.65%	44.10%	39.26%	43.96%	46.33%
Investments to deposits ratio	" "	71.14%	81.18%	74.26%	71.01%	73.77%	64.47%
Weighted Average Cost of Deposits	" "	2.48%	3.37%	4.59%	4.00%	4.45%	4.35%
CASA to total deposits	" "	94.13%	93.39%	90.96%	89.78%	84.74%	81.37%
NPLs to Gross advances ratio	" "	5.90%	6.32%	6.80%	8.68%	9.74%	10.67%
NPLs to Shareholders equity	" "	18.39%	18.00%	20.49%	23.92%	28.76%	33.64%
Coverage Ratio (specific provision/ NPLs)	" "	87.32%	87.63%	82.84%	83.59%	87.55%	82.02%
Coverage Ratio (total provision/ NPLs)	" "	90.82%	90.37%	85.62%	85.74%	89.23%	83.76%
Earning assets to total assets ratio	" "	86.63%	86.88%	87.59%	88.16%	86.45%	87.31%
Investment to total assets ratio	" "	52.85%	56.32%	54.69%	55.06%	52.42%	48.43%
Cash and cash equivalent to total assets	" "	7.45%	6.34%	5.29%	7.46%	7.53%	8.46%
Cash to current liabilities	" "	7.78%	5.96%	5.16%	5.71%	4.58%	4.65%
Earning assets to interest bearing Liabilities	Times	1.63	1.57	1.60	1.58	1.53	1.57
Deposits to shareholder equity	" "	6.63	6.16	6.44	6.50	6.13	6.20
Assets to Equity	" "	8.92	8.87	8.74	8.38	8.63	8.25
Current / Quick ratio	" "	3.05	2.44	1.51	2.51	1.90	2.03
Risk Adequacy							
Tier I Capital	Rs. Mln	111,999	107,067	104,083	95,102	86,341	77,030
Total Eligible Capital	" "	128,968	120,930	117,489	101,296	93,526	82,014
Risk Weighted Assets (RWA)	" "	667,195	622,323	575,663	455,189	422,583	376,442
Tier I to RWA	%	16.79%	17.20%	18.08%	20.89%	20.43%	20.46%
RWA to total assets	" "	63.43%	61.96%	61.59%	55.82%	55.17%	57.63%
Capital Adequacy Ratio	" "	19.33%	19.43%	20.41%	22.25%	22.13%	21.79%
Net Return on Average RWA	" "	3.40%	4.26%	4.72%	4.90%	5.17%	5.50%
Duo Pont Analysis							
Net Operating Margin	%	36.49%	38.78%	43.09%	43.83%	41.34%	36.90%
Asset Utilization	%	5.83%	6.80%	6.45%	6.20%	7.04%	8.62%
Leverage Ratio / Equity Multiplier	Times	8.90	8.81	8.57	8.50	8.45	8.23
Industry Share							
Deposits*	%	6.98%	7.20%	8.25%	8.40%	8.16%	8.36%
Advances*	" "	6.60%	6.58%	7.23%	6.59%	6.80%	7.16%
Market Capitalisation	" "	14.86%	17.91%	21.44%	22.96%	23.58%	20.40%
Home Remittance	" "	11.30%	10.90%	10.68%	10.48%	10.52%	9.97%
* based on economic data released by State Bank of Pakistan							
Consolidated							
Total Assets	Rs. Mln	1,076,690	1,020,980	941,606	821,278	771,458	656,874
Shareholders' Equity	" "	120,152	115,253	110,095	100,165	91,350	81,392
Net Assets	" "	145,960	142,177	136,269	115,463	106,475	92,012
Profit before tax	" "	36,721	42,789	37,354	32,932	32,065	31,322
Profit after tax	" "	22,174	25,035	24,774	21,950	21,153	19,274
Return on Average Assets	%	2.11%	2.55%	2.81%	2.76%	2.94%	3.14%
Return on Average Equity	" "	18.76%	22.12%	23.45%	22.80%	24.14%	25.24%
Earnings per share**	Rs.	19.82	22.38	22.15	19.65	18.76	17.32
Breakup value per share (excl. surplus on rev. of assets)**	" "	131.14	127.74	122.43	103.74	95.66	82.67
Capital Adequacy Ratio	%	19.68%	20.07%	20.41%	22.18%	22.16%	21.88%
Per Branch							
Gross Advances	Rs. Mln	296.99	263.72	261.62	220.37	221.06	213.06
Deposits	" "	631.20	569.75	558.71	519.58	459.19	418.75
CASA	" "	594.14	532.08	508.21	466.50	389.12	340.74
PBT	" "	29.14	34.61	29.81	26.53	26.66	26.84

Shares held by sponsors / directors / executives and associated companies are disclosed on Page No. 344.

*This includes final cash dividend proposed by Board of Directors.

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

Six Years' Non Financial Summary 2011-2016

		2016	2015	2014	2013	2012	2011
No. of accounts	Absolute	6,549,452	6,097,720	5,648,460	5,299,439	4,931,631	4,687,993
No. of branches	"	1,238	1,223	1,232	1,217	1,187	1,173
No. of permanent employees	"	10,951	10,396	10,601	10,372	10,612	10,090
ATMs							
No. of ATMs	"	1,191	1,073	937	789	680	676
Total active smart/ debit card issued	"	2,135,599	2,067,273	2,109,268	1,875,258	1,367,858	1,242,271
No. of smart cards/debit cards issued during the year	"	666,999	642,649	488,706	508,241	469,814	319,390
Credit Cards							
No. of new issuance	"	11,060	10,647	7,505	7,187	3,261	2,846
No. of customers	"	64,075	59,343	55,180	53,460	68,075	68,515
Total spend (transaction volume)	Rs. Mln	5,967	5,079	4,843	4,306	4,005	4,140
Mobile Banking							
No. of customers	Absolute	931,965	656,485	566,846	542,449	292,756	149,057
No. of transactions - financial	"	1,487,899	1,377,762	1,139,634	906,522	704,008	501,876
No. of transactions - non-financial	"	3,390,035	3,365,913	3,097,579	2,996,584	2,673,556	2,139,421
Volume of transactions	Rs. Mln	15,018	14,842	12,258	10,484	8,516	5,647
Bancassurance							
No. of customers	Absolute	22,881	17,142	15,695	14,714	10,769	7,835
No. of policies	"	23,223	17,189	16,223	15,481	11,001	8,060
Bancassurance Premium	Rs. Mln	4,953	4,193	3,411	2,837	1,888	1,160
Bancassurance Revenue	Rs. Mln	698	768	565	723	474	385
Privilege Banking							
No. of accounts	Absolute	4,914	4,383	3,615	2,833	2,372	1,988
No. of customers	"	4,272	3,763	3,118	2,389	1,872	1,494
Trade							
Imports - volume	Rs. Mln	371,233	359,860	414,941	420,964	326,120	341,348
Exports - volume	"	162,899	170,032	171,072	208,640	161,776	149,603
Market share of total market trade(Foreign Trade)	%	5.52%	6.37%	6.91%	7.03%	6.52%	7.07%
Home Remittance							
Volume of home remittance - MCB	USD Mln	2,220	2,096	1,819	1,529	1,470	1,242
Volume of home remittance - MCB	Rs. Mln	232,340	213,755	184,130	154,656	137,376	106,791
Home Remittance MCB Market Share	%	11.30%	10.90%	10.68%	10.48%	10.52%	9.97%

Commentary of Six Years' Performance

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

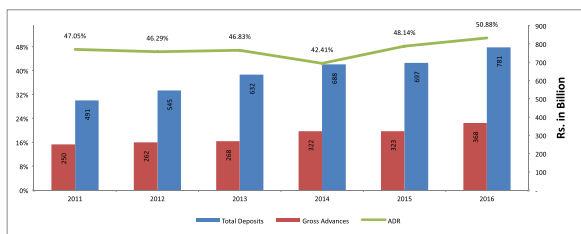
Statement of Financial Position

Total Assets:

The asset base of the Bank has registered a remarkable growth of 10.83% over the last 6 years growing from Rs. 568 billion as at December 31, 2010 to Rs. 1,052 billion as at December 31, 2016. Prime contributors to the said increase have been advances and investments, with investments growing by approximately 17.33% over recent years. The earning asset mix of the Bank has been prudently managed to ensure maximization of returns to stakeholders.

Advances:

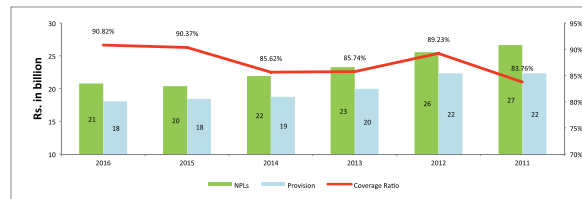
Credit off-take has been hampered on account of macro-economic instability and operational challenges faced by the country. Lack of credit opportunities and intense competition for the same pool of assets resulted in a moderate growth in gross advances base. However, in 2016, steps taken in the right direction have paved way for advances growth for the industry, with MCB taking the major share of the said growth. 5.35% growth has been observed in Advances over the 6 years. Despite the said growth in advances in 2016, the ADR has dropped from 50.88% in 2011 to 47.05% in 2016.



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 and able to manage above 1 billion recovery in past 8 consecutive years. In this regard, the infection ratio of the Bank was 10.67%

as at December 31, 2011 which has dropped to 5.90% as at December 31, 2016. The quality of asset has been one of the prime focus areas of the Bank and the significant recoveries posted in the last few years clearly spell out the efforts that have been directed in achieving this goal. Decrease of Rs. 1.1 billion, Rs. 2.3 billion, 1.6 billion and Rs. 1.5 billion registered in 2012, 2013, 2014 and 2015 respectively, the NPL base has increased by Rs. 1.3 billion in 2016. Over the last six years, NPLs of the Bank peaked in 2011 at Rs. 26.6 billion, following which a downward trajectory can be observed in NPL base. The coverage ratio of the Bank has improved from 83.76% in 2011 to 90.82% in 2016. Moreover, the NPLs classified in "loss" category constitute 98% of the NPLs base as at December 31, 2016, which specifies the adequacy of provision held in the books of the Bank.



Investments:

During the past few years, the lack of credit opportunities resulted in banking sector money deployed in Government Papers. With an average growth rate of 17% over the last six years, the investment base of the Bank has grown from Rs. 213 billion in 2010 to Rs. 556 billion in 2016.

Deposits:

The deposit base of the Bank has steadily grown over the last six years, with absolute numbers increasing from Rs. 431 billion in 2010 to Rs. 781 billion in 2016. MCB Bank' carries the competitive edge of holding the highest CASA base, supporting its lower cost of deposits. The Bank has been strategically tapering off its high cost deposit. The CASA base has remarkable increase in last 6 years, increasing from Rs. 351 billion in 2010 to Rs. 736 billion in 2016; MCB Bank has been able to maintain its share in the domestic industry deposit around 7%. This is made possible by service excellence, strategically placed touch points for the customer and transactional convenience provided through a variety of products.

Commentary of Six Years' Performance

Equity and Dividends

- The paid-up capital of the Bank has grown from Rs. 7.6 billion in 2010 to Rs. 11.1 billion in 2016, meeting the statutory capital requirements set by the Central Bank.
- In 2008, most affluence strategic partnership occurred in Pakistan where the largest Bank of Malaysia, Maybank Berhad, acquired 20% holding in MCB Bank Limited. This brought synergies in technology, human resource and trade business.
- The equity base of the Bank is reflective of the outstanding financial results achieved through consistent performance over years. The capital base of the Bank is rated as strong which is substantiated by the reported CAR of 19.33% as at December 31, 2016 against the statutory requirement of 10.65%. The Shareholders' equity has grown significantly from Rs. 69 billion in 2010 to Rs. 118 billion in 2016.
- 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 59.86% in 2010 to 34.08% in 2016 while markup income from investments has increased to 65.60% (2010: 37.07%).
- 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 an all time high of 94.13% as at December 31, 2016.

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.

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. 4.2 billion for the year 2011 which was reduced substantially to Rs. 291 million for the year 2012. For the year 2013 & 2014, the Bank reversed provisions to the tune of Rs. 2.9 billion and Rs. 1.9 billion respectively while for 2015 provision expense was mainly attributable due to provision charged on equity portfolio of the bank. In 2016, bank has reversed provision on some of its equity portfolio which is offset by provision charged against advances portfolio classified in 2016. 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.

Commentary of Six Years' Performance

- The growth in administrative block of the bank has been nominal considering the inflationary patterns followed over the period of six years and falls within the budgetary limits set. The management has been able to introduce cost effective techniques / methods to exercise control over the administrative expenses. Centralization of various expense heads and imposition of annual capping have been few of the key initiatives undertaken in this respect. This has enabled the Bank to maintain one of the lowest cost to income ratios in the industry.
- Cost to income ratio of the bank increased from 29.61% in 2011 to 36.80% in 2016.
- 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 23,000 policies and customers with premium amount of approximately Rs. 5 billion.
- MCB Bank launched mobile banking in 2009 with approximately 53K customers reported by the end of the year. As of 2016, the numbers of mobile customers have grown to approximately near to 1 million with transaction volume of over Rs. 15 billion.

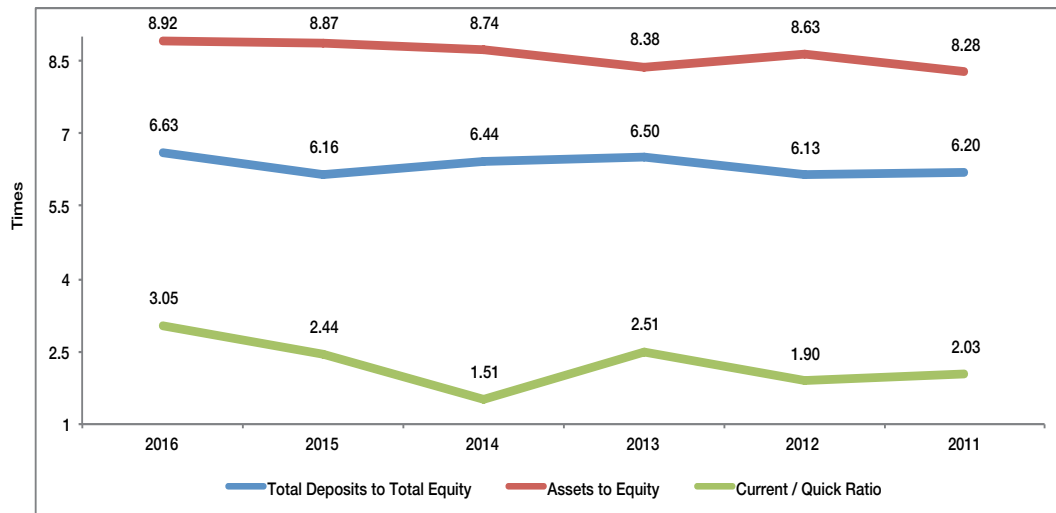
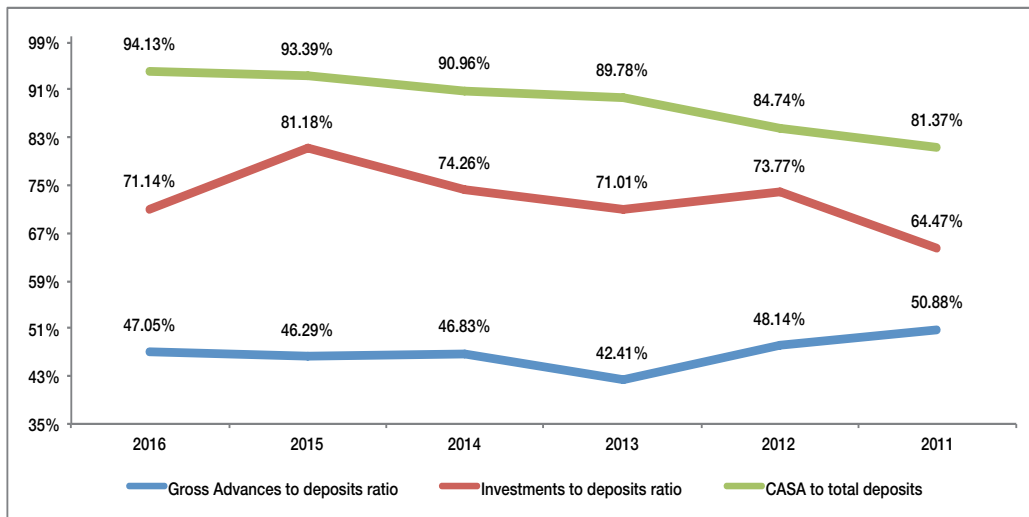
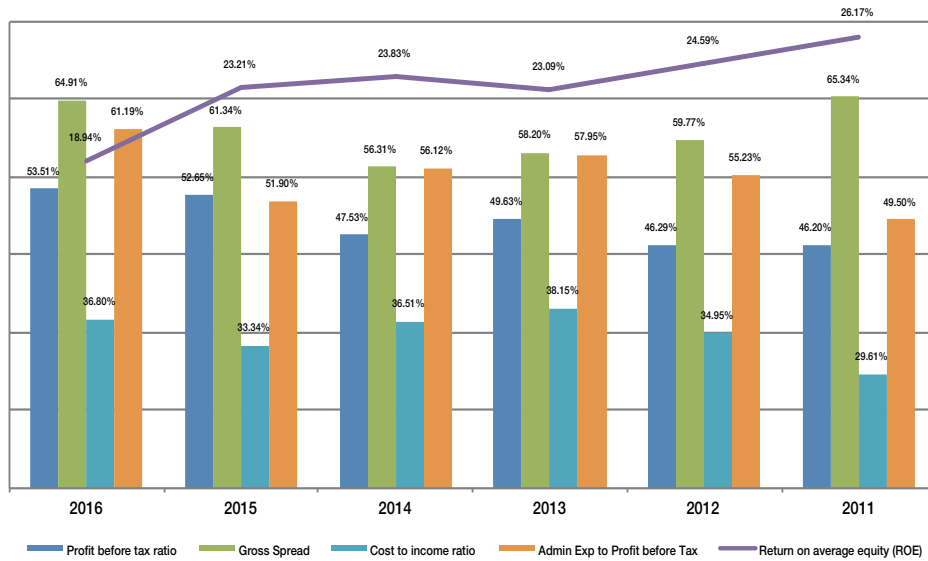
Profit before tax and Profit after tax:

- MCB Bank has been able to post outstanding profitability numbers over the period of last six years as substantiated by Earning per share and remarkable return on asset ratio. The annual pre-tax profitability numbers have grown from Rs. 26.3 billion for 2010 to Rs. 36.1 billion for 2016. The aggregate profit before tax for the last six years has crossed Rs. 200 billion.
- Profit before tax ratio has increased from 46.20% in 2011 to 53.51% in 2016.
- 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.
- The Bank launched Privilege Banking in 2009 targeting a specific customer base. As of 2016, Privilege Bank proposition serves 4,272 customers.
- MCB Bank has been awarded as winner by ICAP and ICMAP for Best Corporate Report Award 6 times in past 7 years. Once we were been runner up in 2011.
- In 2016, MCB Annual Report 2014 has been honored to receive 1st award 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 by Euromoney Awards and we have also been awarded for Country Awards for Achievement for past 2 years by FinanceAsia.

Other statistics

- The Bank has added over 2 million customers to its base with the current statistics highlighting customer base over 6.5 million.
- With active participation in trade, MCB Bank has been able to improve trade volume in last 6 years which has increased to Rs. 371 billion for imports and Rs. 163 billion for exports.
- The Bank has been able to increase its market share in the remittance business growing from 9.29% in 2010 to 11.30% in 2016

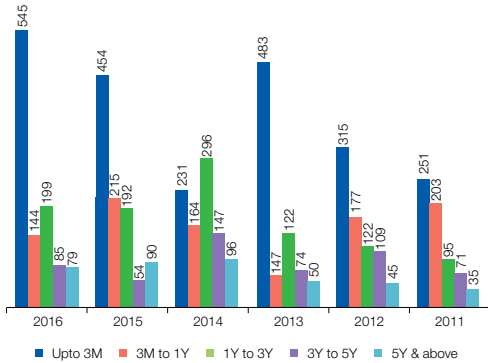
Six Years' Summary of Ratios



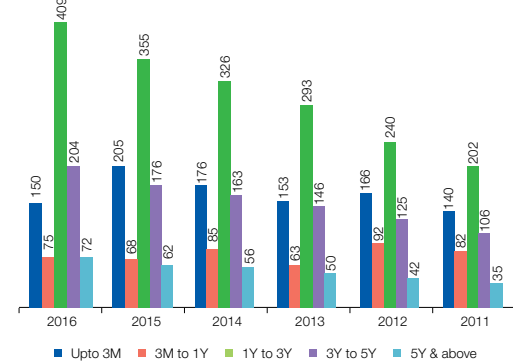
Six Years' Summary of Concentration & Maturities

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

Maturities of Assets (2011-2016)
(Rs. in Billion)

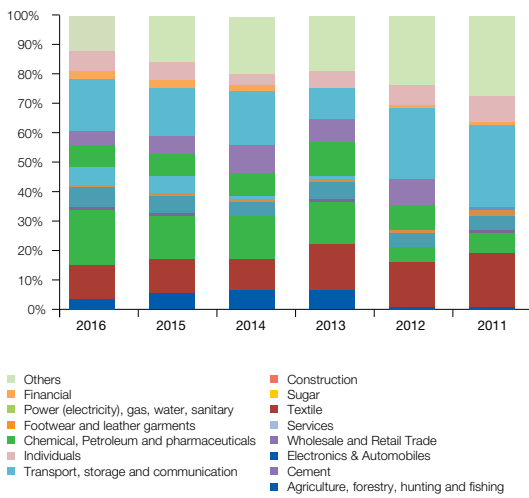


Maturities of Liabilities (2011-2016)
(Rs. in Billion)

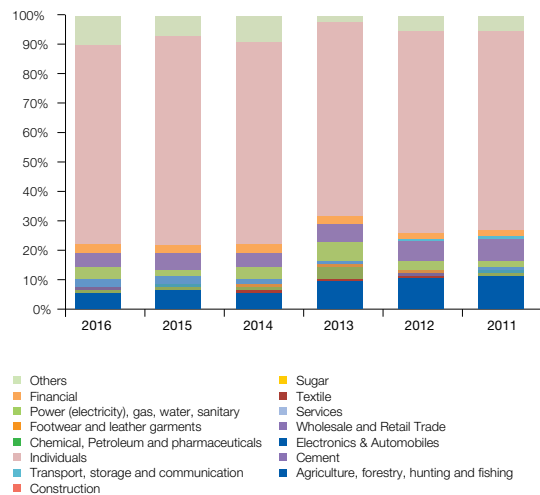


Concentration of Advances, NPLs, Deposits and Off-Balance Sheet Items

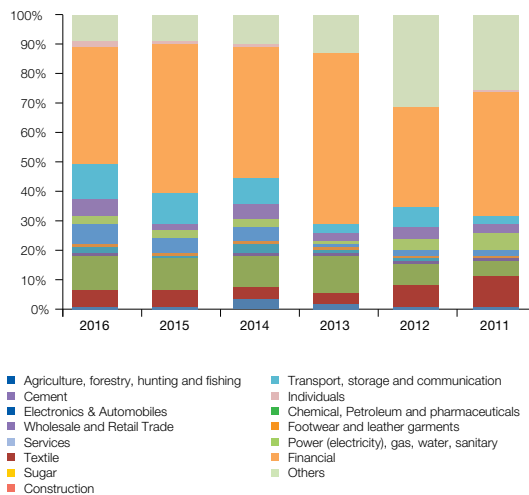
Gross Advances (2011-2016)



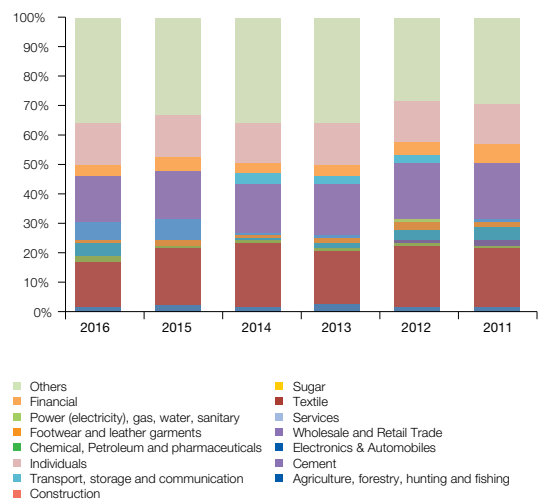
Classified Advances (2011-2016)



Deposits (2011-2016)



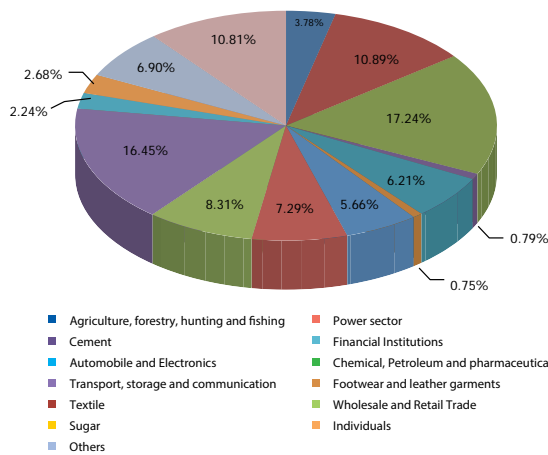
Off Balance Sheet Items (2011-2016)



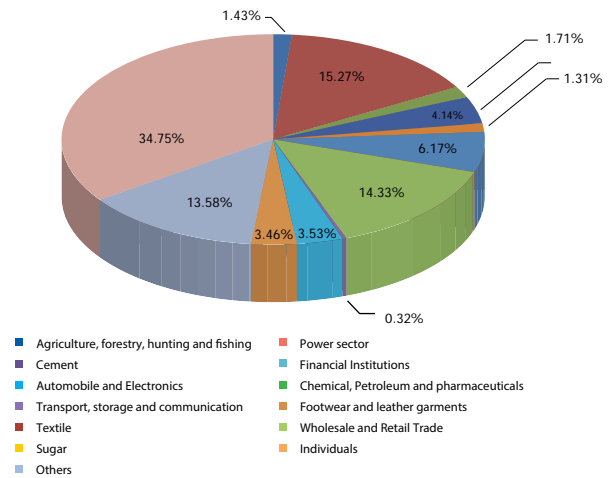
Concentration of Advances, NPLs, Deposits & Off-Balance Sheet Items

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	13,901	3.78%	-27%	310	1.43%	-40%	37,843	5%	-6%	2,273	1%	-5%
Textile	40,029	10.89%	10%	3,313	15.27%	-14%	3,844	0%	-22%	14,838	5%	-14%
Chemical, Petroleum and pharmaceuticals	63,386	17.24%	34%	371	1.71%	162%	8,405	1%	63%	33,644	11%	7%
Cement	2,896	0.79%	-7%	-	-	-	1,010	0%	33%	3,014	1%	179%
Sugar	22,835	6.21%	28%	898	4.14%	3375%	2,610	0%	7%	3,894	1%	206%
Transport and Electronics	2,742	0.75%	-25%	284	1.31%	-6%	3,946	1%	35%	3,690	1%	18%
Construction, engineering and steel	20,823	5.66%	10%	1,337	6.17%	-10%	20,420	3%	18%	18,678	6%	38%
Power, energy, gas, water, sanitary	26,817	7.29%	1%	2	0.01%	0%	22,898	3%	67%	7,997	3%	-27%
Wholesale and Retail Trade	30,555	8.31%	90%	3,108	14.33%	-7%	35,759	5%	6%	14,725	5%	145%
Transport, storage and communication	60,467	16.45%	17%	69	0.32%	-25%	3,967	1%	28%	32,288	10%	9%
Financial Institutions	8,224	2.24%	-1%	765	3.53%	-4%	17,536	2%	8%	109,470	36%	-28%
Services	9,870	2.68%	237%	751	3.46%	243%	59,052	8%	6%	31,833	10%	34%
Individuals	25,371	6.90%	17%	2,945	13.58%	1%	493,003	62%	9%	5,553	2%	157%
Others	39,762	10.81%	-19%	7,536	34.75%	12%	71,137	9%	47%	25,669	8%	-5%
Total	367,678	100%	14%	21,688	100%	6%	781,430	100%	12%	307,566	100%	-4%

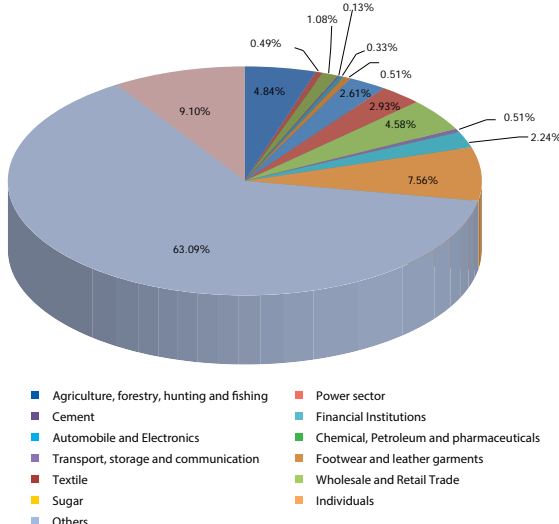
Advances (Gross)



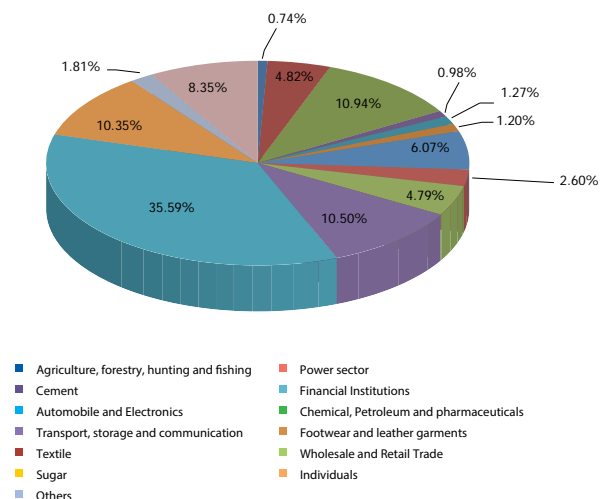
Classified Advances



Deposits



Off Balance Sheet Items



Maturities of Assets & Liabilities

(Rs. in Millions)

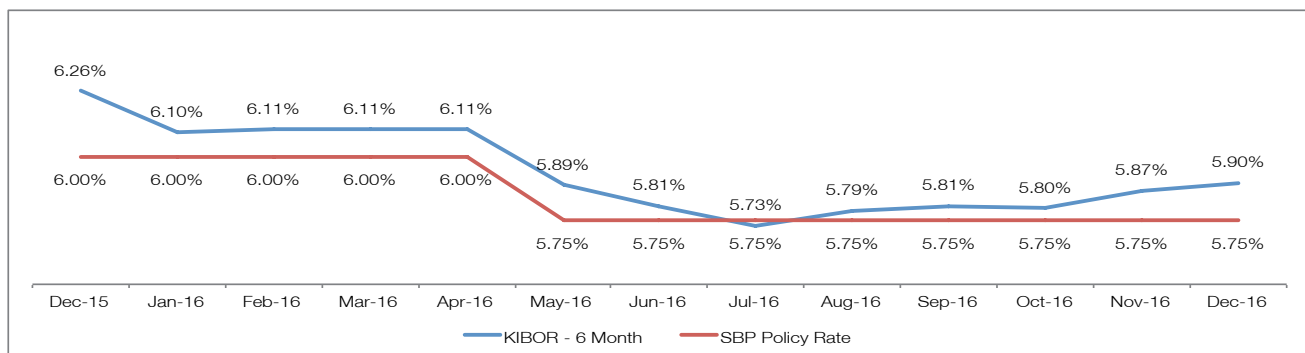
	Total	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
Assets						
Cash and balances with treasury banks	74,222	74,222	-	-	-	-
Balances with other banks	4,344	4,344	-	-	-	-
Lendings to financial institutions	2,810	2,810	-	-	-	-
Investments - net	555,929	295,140	55,494	123,266	39,927	42,102
Advances - net	347,980	148,575	81,742	71,404	32,028	14,230
Operating fixed assets	32,753	485	1,454	3,877	3,877	23,059
Deferred tax assets	14	7	7	-	-	-
Other assets - net	33,777	19,231	5,561	31	8,954	-
	1,051,828	544,814	144,258	198,579	84,787	79,391
Liabilities						
Bills payable	12,844	12,844	-	-	-	-
Borrowings	74,515	53,169	18,267	3,080	-	-
Deposits and other accounts	781,430	69,211	47,007	399,253	199,639	66,320
Deferred tax liabilities	11,275	203	490	3,026	3,391	4,164
Other liabilities	30,138	15,494	8,765	3,572	709	1,597
	910,202	150,920	74,529	408,932	203,739	72,081

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

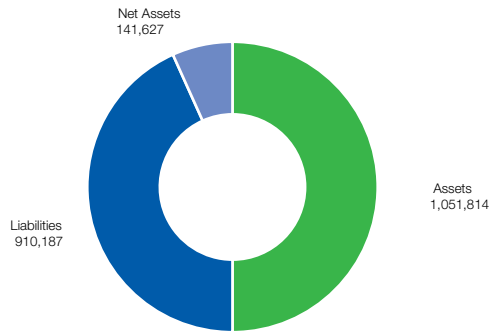
	2016			2015		
	Avg. Vol (Mln)	Effective Interest Rate %	Interest (Mln)	Avg. Vol (Mln)	Effective Interest Rate %	Interest (Mln)
Interest Earning Assets						
Lendings to Financial Institutions	2,827	4.31	122	3,244	5.44	176
Gross Advances (excluding NPLs)	316,357	7.26	22,978	298,114	8.76	26,128
Gross Investments (excluding equity investments)	508,379	8.70	44,226	543,940	9.93	54,010
Interest Bearing Liabilities						
Deposits (excl. current deposits)	458,263	4.00	18,313	461,669	5.05	23,326
Borrowings	85,276	5.34	4,556	113,361	6.34	7,185

Policy Rate & KIBOR - 6 months

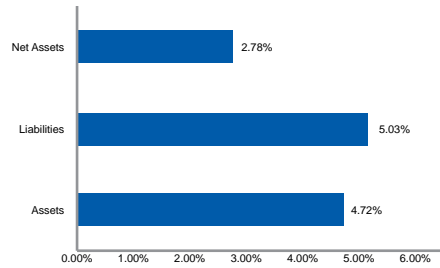


Graphical Presentation of Financial Statements

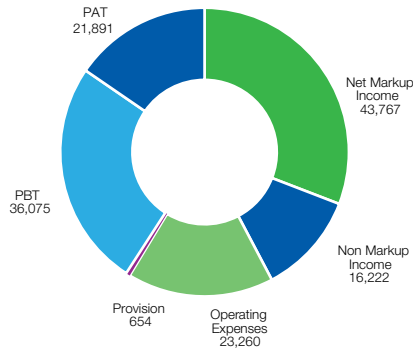
Statement of Financial Position
(Rs. in Million)



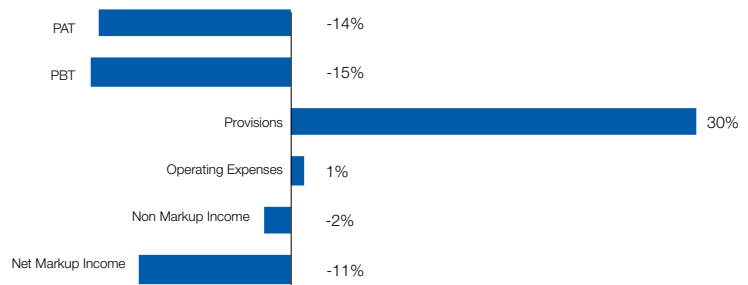
Variance from YE 15



Profit and Loss
(Rs. in Million)

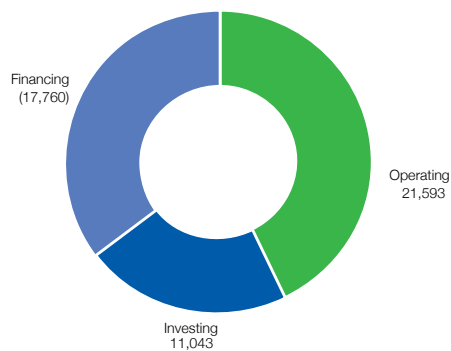


Variance from YE 15

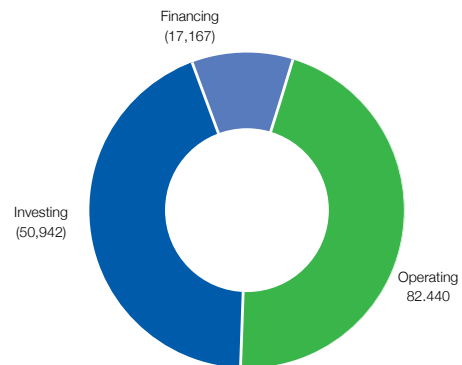


Cash Flows
(Rs. in Million)

2016



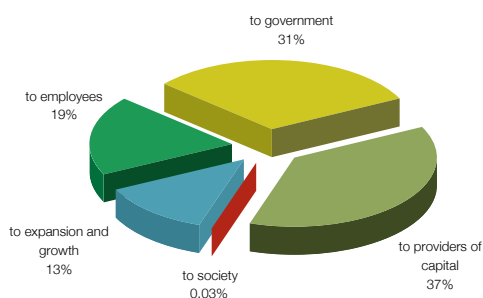
2015



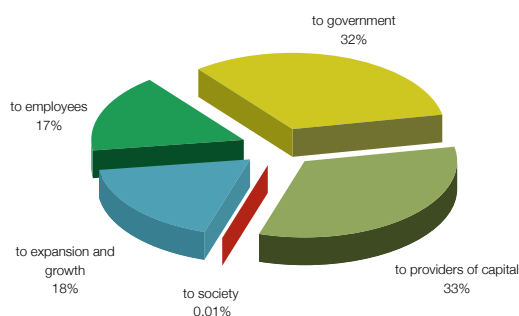
Statement of Value Added

	2016		2015	
	PKR Mln	%	PKR Mln	%
Value Added				
Net interest income	43,767		49,316	
Non interest income	16,222		16,566	
Operating expenses excluding staff costs, depreciation, amortization and WWF	(11,128)		(11,051)	
Provision against advances, investments & others	(925)		(659)	
Value added available for distribution	47,641		54,172	
Distribution of value added:				
To employees				
Remuneration, provident fund and other benefits	9,381	19.69%	9,786	18.06%
Pension fund reversal	(516)	-1.08%	(776)	-1.43%
	8,865	18.61%	9,010	16.63%
To government				
Worker welfare fund	721	1.51%	847	1.52%
Income tax	14,184	29.77%	16,782	30.98%
	14,905	31.29%	17,629	32.54%
To providers of capital				
Cash dividends to shareholders	17,808	37.38%	17,808	32.87%
To Society				
Donations	13	0.03%	6	0.01%
To expansion and growth				
Depreciation	1,602	3.36%	1,607	2.97%
Amortization	366	0.77%	374	0.69%
Retained earnings	4,082	8.57%	7,738	14.28%
	6,050	12.70%	9,719	17.94%
	47,641	100%	54,172	100%

2016



2015



Summary of Cash Flows

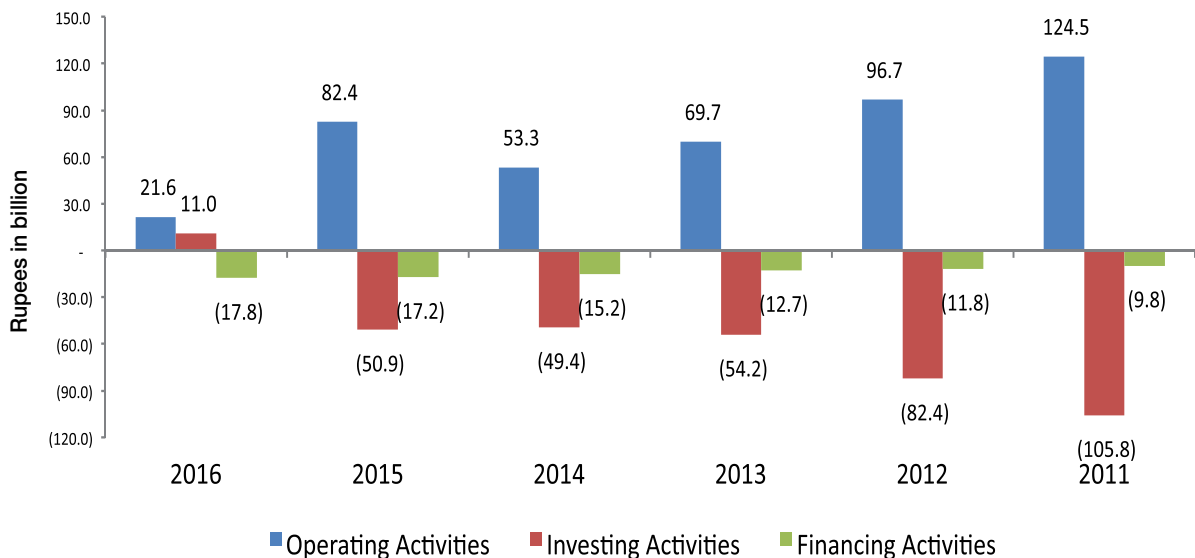
	(Rs. in Millions)					
	2016	2015	2014	2013	2012	2011
Cash flows from operating activities	21,593	82,440	53,343	69,725	96,701	124,460
Cash flows from investing activities	11,043	(50,942)	(49,394)	(54,177)	(82,369)	(105,805)
Cash flows from financing activities	(17,760)	(17,167)	(15,175)	(12,673)	(11,815)	(9,785)
Cash and cash equivalents at beginning of the year	63,682	49,427	60,857	57,783	55,293	46,886
Cash and cash equivalents at end of the year	78,407	63,682	49,427	60,857	57,783	55,293

Commentary of Cash Flow Statement:

Cash inflow from operating activities showed Cash inflows from core business of the bank i.e. Deposit Growth in recent year. In 2016, Cash Flow generated from operating activities is Rs. 21.6 billion which was Rs. 124.5 billion in 2011. In 2016, Rs. 84.6 billion Cash Inflow from deposit is offset by repayment of borrowings and lending to customers. Operational cash flow of 2011 depicts an inflow of Rs. 124.4 billion, primarily on account of recoveries recorded in advances and significant build-up of Rs. 59.8 billion in deposits. Inflows observed in operating activities were observed mainly due to increase in deposit base of the bank which have been utilized to lend to customers and during recent years advances based has been piled up.

Total cash outflow from investing activities was at the highest level in 2011 amounting to Rs. 105.8 billion. Cash outflow in investing activities can be observed over years primarily on account of increased concentration levels of investment base specifically in risk free Pakistan Investment Bonds and Market Treasury Bills.

Cash outflow from financing activities was primarily by way of dividends to shareholders over the years. MCB has paid dividend at each quarter during last six years and since then approximately Rs. 84 billion has been paid to shareholders.



Cash Flow Statement

Direct Method

(Rs. in Millions)

	2016	2015
Cash flows from operating activities		
Mark-up / return / interest and commission receipts	85,939	99,239
Mark-up / return / interest payments	(24,547)	(33,906)
Payments to employees, suppliers and others	(19,862)	(20,679)
	41,530	44,654
(Increase) / decrease in operating assets		
Lendings to financial institutions	270	(1,661)
Net investments in 'held for trading' securities	222	(315)
Advances - net	(45,159)	(244)
Other assets	(1,410)	(5,914)
	(46,077)	(8,134)
Increase / (decrease) in operating liabilities		
Bills payable	955	(4,739)
Borrowings	(43,187)	58,342
Deposits and other accounts	84,625	8,475
Other liabilities	(76)	(218)
	42,317	61,860
	37,770	98,380
Income tax paid	(16,178)	(15,941)
Net cash flows from operating activities	21,592	82,439
Cash flows from investing activities		
Net investments in 'available for sale' securities	14,690	(36,783)
Net investments in 'held to maturity' securities	(8,683)	(4,728)
Investment in subsidiary companies	-	(10,269)
Proceeds from divestment in associate	589	275
Proceeds from demerger scheme	5,902	-
Dividends received	1,429	1,263
Investments in operating fixed assets	(3,485)	(942)
Sale proceeds of property and equipment disposed off	601	244
Net cash flows from investing activities	11,043	(50,941)
Cash flows from financing activities		
Dividend paid	(17,760)	(17,167)
Net cash flows from financing activities	(17,760)	(17,167)
Exchange differences on translation of the net investment in foreign branches	(151)	(76)
Increase in cash and cash equivalents	14,724	14,255
Cash and cash equivalents at beginning of the year	63,968	49,128
Effects of exchange rate changes on cash and cash equivalents	(285)	299
	63,683	49,427
Cash and cash equivalents at end of the year	78,407	63,682

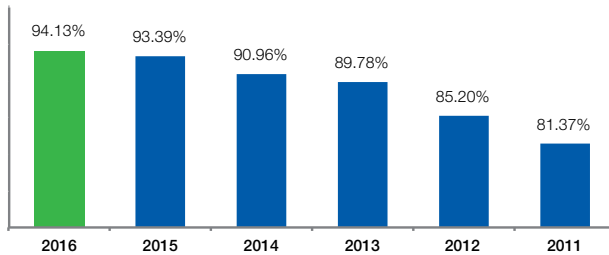
Cash flow statement in annual financial statements is required to prepare in line with the format prescribed by State Bank of Pakistan under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements'.

Deposits & Advances

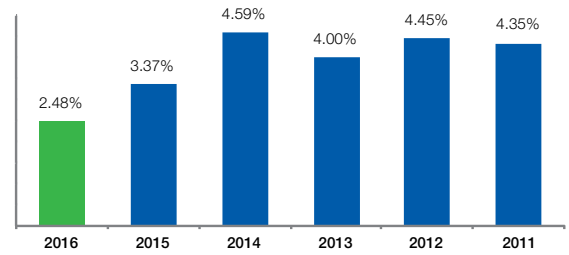
(Rs. in Billion)

	Groupwise Deposits				Groupwise Advances			
	2016	2015	Variance		2016	2015	Variance	
			Amount	%			Amount	%
Commercial	721.0	648.9	72.1	11.11%	81.1	79.6	1.5	1.94%
Corporate	31.7	20.7	11.0	53.18%	243.8	207.2	36.6	17.66%
Consumer	7.7	11.8	-4.1	-34.90%	14.8	11.8	3.0	25.60%
Others	21.0	15.4	5.7	36.99%	27.9	23.9	4.0	16.76%
Total	781.4	696.8	84.6	12.15%	367.7	322.5	45.2	14.01%

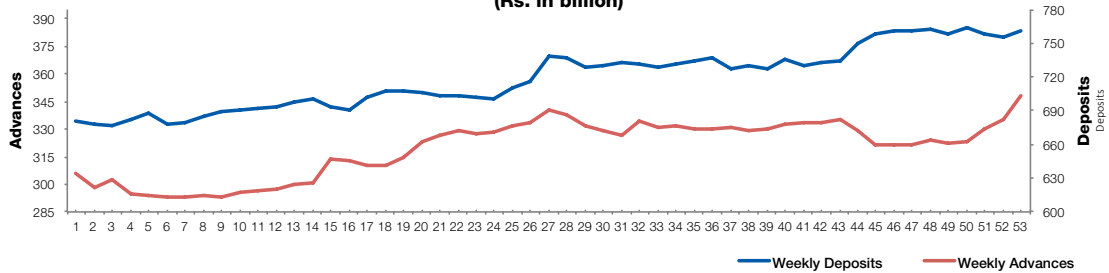
CASA to Total Deposit (2011-2016)
%



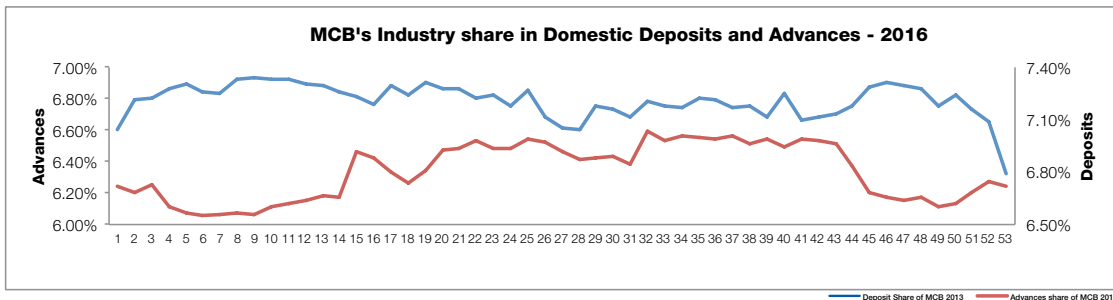
Weighted Average Cost of Deposits (2011-2016)
%



Weekly Trend of MCB Domestic Deposits and Advances -2016
(Rs. in billion)



MCB's Industry share in Domestic Deposits and Advances - 2016



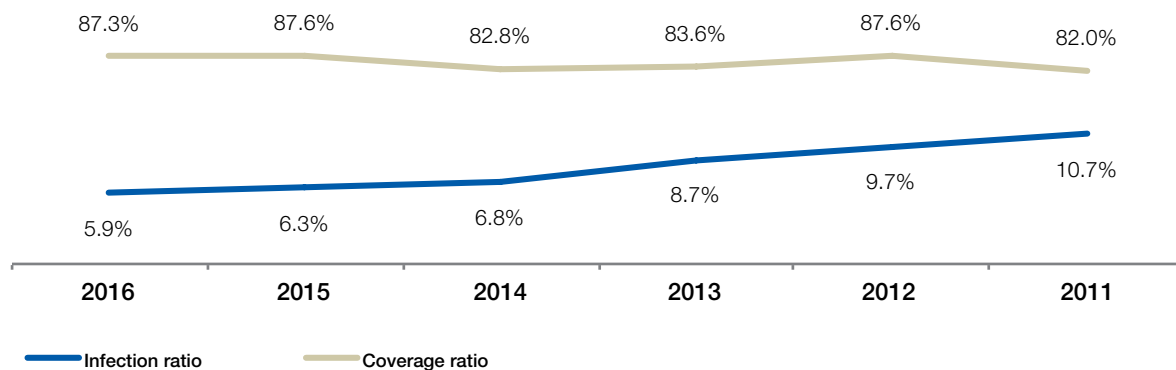
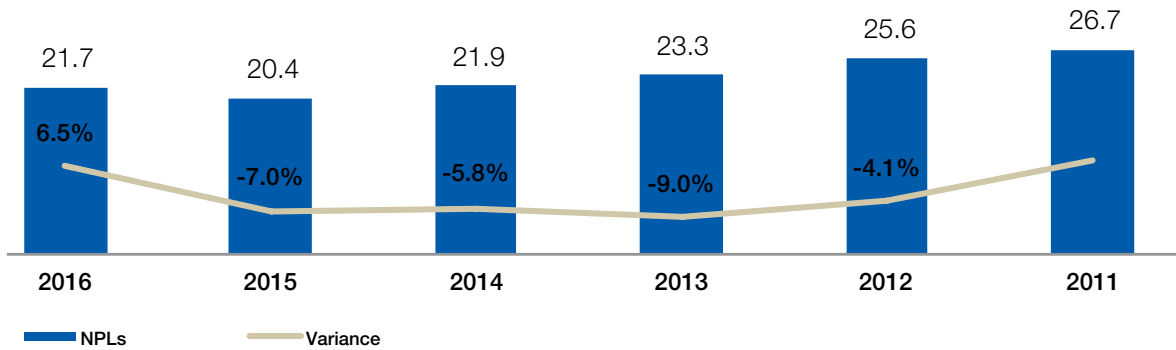
Non-Performing Loans

(Rs. in Millions)

	2016		2015		Variance		2016
	NPLs	Provision	NPLs	Provision	NPLs	Provision	Coverage
Categorywise							
Substandard	107	20	-	-	100%	100%	19%
Doubtful	363	182	46	23	684%	252%	22%
Loss	21,218	18,736	20,322	17,825	4%	5%	88%
Total	21,688	18,938	20,368	17,848	6%	6%	87%
Groupwise							
Commercial	2,038	1,815	2,303	2,303	-12%	-21%	89%
Corporate	4,306	4,304	3,458	3,458	25%	24%	100%
Consumer	1,862	1,854	2,094	2,080	-11%	-11%	100%
Others	13,483	10,965	12,514	10,007	8%	10%	81%
Total	21,688	18,938	20,368	17,848	6%	6%	87%

*Liquid Securities benefit has been taken.

NPLs and Variance (2011-2016)



Coverage ratio = Specific provision / NPLs

INVESTMENTS

Top 10 Listed Equity Holdings as on December 31, 2016

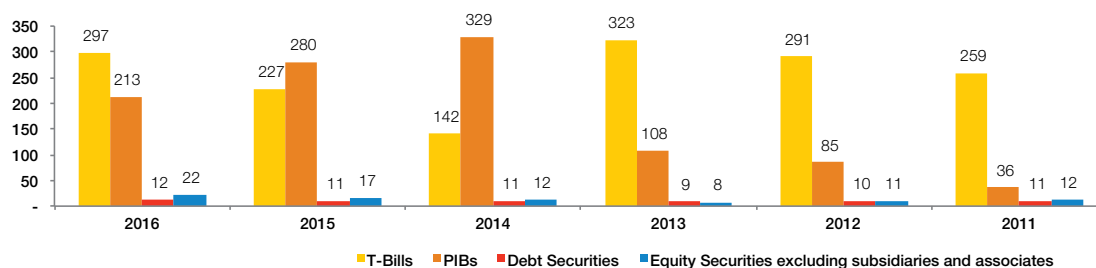
Company Name	Total Shares / units (number)	Book Value (Rs. Mln)	Market Value (Rs. Mln)
Kot Addu Power Company	15,662,000	1,344	1,234
Sui Northern Gas Pipelines Limited	29,666,010	1,187	2,420
Fauji Fertilizer Company Limited	10,155,000	1,169	1,060
Oil & Gas Development Corporation	4,411,035	837	729
Allied Bank Limited	5,325,400	589	635
Engro Fertilizers Limited	6,510,500	547	443
Pak Electron Limited	7,121,125	544	508
Saif Power Limited	15,350,000	540	546
Engro Corporation Limited	1,690,200	535	534
Millat Tractors Limited	934,300	522	845

Investment in Associates and Subsidiaries

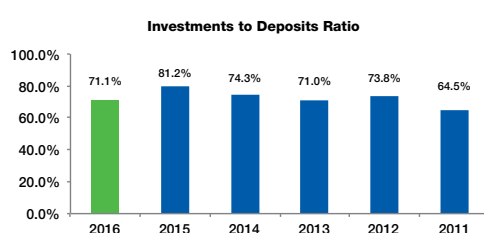
Company Name	MCB Holding	Shares held (numbers)	Book Value (Rs. Mln)
Associates			
Adamjee Insurance Company Limited	24.48%	85,665,924	792.88
Euronet Pakistan (Pvt.) Limited	30.00%	52,521	52.52
Subsidiaries			
MCB - Arif Habib Savings & Investments Limited	51.33%	36,956,768	320.12
MNET Services Limited	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

Category of Investments - Cost (2011-2016)

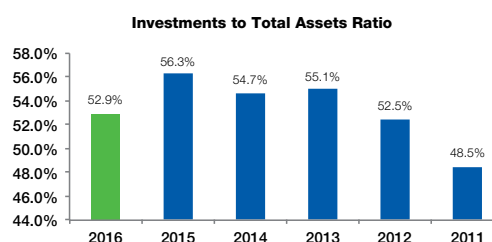
(Rs. in Billion)



Investments to Deposits Ratio (2011-2016)



Investments to Total Assets Ratio (2011-2016)



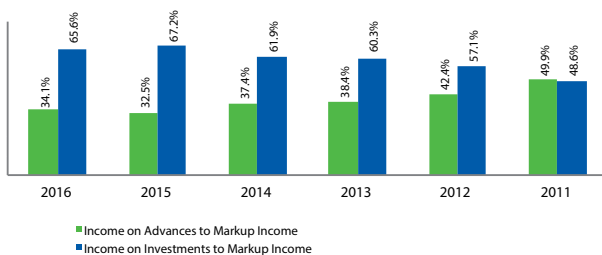
Markup and Non Markup Income

(Rs. in Millions)

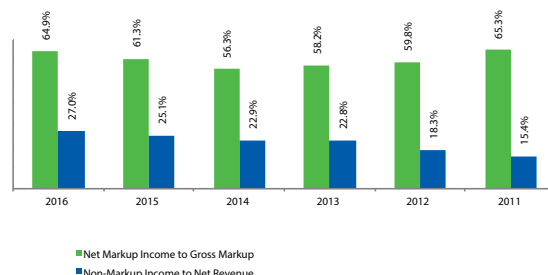
	2016	2015	2014	2013	2012	2011
Markup Income						
Loans and advances	22,978	26,128	28,922	24,990	29,002	33,985
Investments	44,226	54,010	47,835	39,233	39,034	33,120
Deposits with financial institutions	97	79	31	95	40	12
Securities purchased under resale agreements	101	164	448	732	257	958
Money at call	21	13	33	14	23	72
	67,422	80,393	77,269	65,064	68,356	68,146
Markup Expense						
Deposits	18,313	23,326	30,341	23,561	23,043	20,083
Securities under repurchase agreements	3,516	5,289	1,092	1,706	2,628	1,575
Other short-term borrowings	1,040	1,896	1,698	1,108	1,154	1,211
Discount, Commission and brokerage	655	487	499	534	512	662
Others	131	79	127	288	164	89
	23,655	31,077	33,757	27,196	27,500	23,620
Net Markup Income	43,767	49,316	43,512	37,868	40,856	44,526

	2016	2015	2014	2013	2012	2011
Non Markup Income						
Fee, Commission & Brokerage Income	7,640	7,842	7,225	6,741	5,934	4,921
Dividend Income	1,456	1,267	1,061	933	1,198	1,003
Income from dealing in foreign currency	959	946	1,443	917	823	921
Gain on sale of securities	5,679	4,429	1,648	2,130	825	736
Other Income	488	2,083	1,566	450	374	531
	16,222	16,566	12,944	11,171	9,153	8,112

Markup Income from Advances and Investments (2011 - 2016)



Income Composition (2011 - 2016)

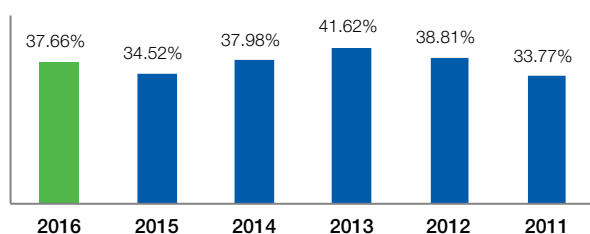


Administrative Expenses

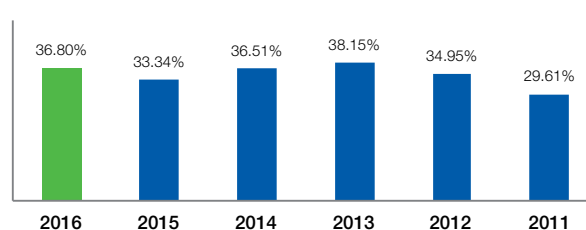
(Rs. in Millions)

	2016	2015	2014	2013	2012	2011
Personnel Expenses						
Salaries and allowances	8,718	9,224	8,755	8,640	8,434	8,307
Voluntary Separation Scheme	-	-	26	1,058	-	-
Contributions to defined contribution plan - provident fund	245	234	215	198	188	177
Post retirement medical benefits	171	167	157	188	187	170
Employees' contributory benevolent scheme	18	20	28	55	40	51
Employees' compensated absences	229	142	233	147	98	181
	9,381	9,786	9,414	10,286	8,948	8,886
Other Administrative Expenses						
Non-executive directors' fees	35	35	34	32	33	36
Rent, taxes, insurance, electricity	2,687	2,898	2,733	2,555	1,965	1,695
Legal and professional charges	265	218	282	272	177	187
Communications	1,108	1,221	965	862	932	936
Repairs and maintenance	1,838	1,666	1,499	1,103	1,208	949
Stationery and printing	543	614	561	503	402	385
Advertisement and publicity	483	356	315	119	393	427
Cash transportation charges	551	547	550	482	461	450
Instrument clearing charges	128	141	140	125	187	198
Donations	13	6	40	25	31	84
Auditors' remuneration	24	39	34	32	21	25
Depreciation	1,573	1,608	1,724	1,541	1,379	1,115
Amortization of intangible asset	366	374	360	260	260	250
Travelling, conveyance and fuel	375	325	315	214	745	728
Subscription	27	16	18	20	18	28
Entertainment	186	177	160	118	110	102
Training Expenses	51	46	35	41	30	46
Petty Capital items	71	59	46	33	35	56
Card Related Expenses	415	348	298	238	147	129
Others	2,474	2,264	1,918	1,551	1,926	1,063
Total other administrative expenses	13,210	12,957	12,029	10,126	10,462	8,888
Administrative expenses without PF reversal	22,591	22,744	21,443	20,411	19,410	17,774
Pension fund reversal	(516)	(776)	(832)	(1,701)	(1,933)	(2,189)
Total Administrative expenses	22,074	21,968	20,612	18,710	17,477	15,585

Cost to Income Ratio
(excluding pension fund reversal)



Cost to Income Ratio



Six Years' Vertical Analysis

Statement of Financial Position / Profit & Loss

	2016		2015		2014		2013		2012		2011	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	74,222	7%	60,568	6%	46,754	5%	59,946	7%	57,420	7%	53,123	8%
Balances with other banks	4,344	0%	3,611	0%	3,016	0%	1,537	0%	1,192	0%	2,281	0%
Lendings to financial institutions	2,810	0%	3,080	0%	1,418	0%	1,225	0%	1,551	0%	955	0%
Investments	555,929	53%	565,696	56%	511,137	55%	449,006	55%	402,069	52%	316,652	48%
Advances	347,980	33%	304,122	30%	303,559	32%	248,243	30%	239,583	31%	227,580	35%
Operating fixed assets	32,753	3%	29,950	3%	31,193	3%	28,595	4%	23,738	3%	22,008	3%
Other assets	33,777	3%	37,384	4%	37,555	4%	26,956	3%	41,520	5%	31,184	5%
	1,051,814	100%	1,004,410	100%	934,631	100%	815,508	100%	767,075	100%	653,782	100%
Liabilities												
Bills payable	12,844	1%	11,889	1%	16,628	2%	10,139	1%	9,896	1%	9,467	1%
Borrowings	74,515	7%	118,040	12%	59,543	6%	38,543	5%	78,951	10%	39,101	6%
Deposits	781,430	74%	696,805	69%	688,330	74%	632,330	78%	545,061	71%	491,189	75%
Deferred tax liabilities	11,260	1%	11,377	1%	10,397	1%	4,201	1%	9,530	1%	6,488	1%
Other liabilities	30,138	3%	28,498	3%	29,630	3%	20,064	2%	21,166	3%	18,378	3%
	910,187	87%	866,608	86%	804,527	86%	705,277	86%	664,604	87%	564,622	86%
Net Assets	141,627	13%	137,802	14%	130,104	14%	110,231	14%	102,471	13%	89,160	14%
Represented by												
Share capital	11,130	1%	11,130	1%	11,130	1%	10,118	1%	9,199	1%	8,362	1.28%
Reserves	53,347	5%	51,309	5%	48,830	5%	46,601	6%	44,253	5.8%	42,186	6.45%
Unappropriated profit	53,469	5%	50,747	5%	46,948	5%	40,552	5%	35,425	4.6%	28,724	4.39%
Surplus on revaluation of assets - net of tax	23,680	2%	24,616	2%	23,196	2%	12,959	2%	13,594	1.8%	9,887	1.51%
	141,627	13%	137,802	14%	130,104	14%	110,231	14%	102,471	13%	89,160	14%
Profit & Loss Account												
Mark-up earned	67,422	81%	80,393	83%	77,269	86%	65,064	85%	68,356	88%	68,147	89%
Mark-up expensed	(23,655)	-28%	(31,077)	-32%	(33,757)	-37%	(27,196)	-36%	(27,500)	-35%	(23,620)	-31%
Net mark-up income	43,767	52%	49,316	51%	43,512	48%	37,868	50%	40,856	53%	44,526	58%
Provisions & write off	(925)	-1%	(659)	-1%	1,864	2%	2,888	4%	(291)	0%	(4,168)	-5%
Net mark-up income after provisions	42,842	51%	48,658	50%	45,376	50%	40,756	53%	40,565	52%	40,358	53%
Non-mark-up income	16,222	19%	16,566	17%	12,944	14%	11,171	15%	9,153	12%	8,112	11%
Non-mark-up expenses	(22,989)	-27%	(22,895)	-24%	(21,591)	-24%	(19,639)	-26%	(18,077)	-23%	(16,987)	-22%
Profit before taxation	36,075	43%	42,329	44%	36,729	41%	32,288	42%	31,642	41%	31,483	41%
Taxation	(14,184)	-17%	(16,782)	-17%	(12,405)	-14%	(10,793)	-14%	(10,969)	-14%	(12,058)	-16%
Profit after taxation	21,891	26%	25,546	26%	24,325	27%	21,495	28%	20,673	27%	19,425	25%

Six Years' Horizontal Analysis

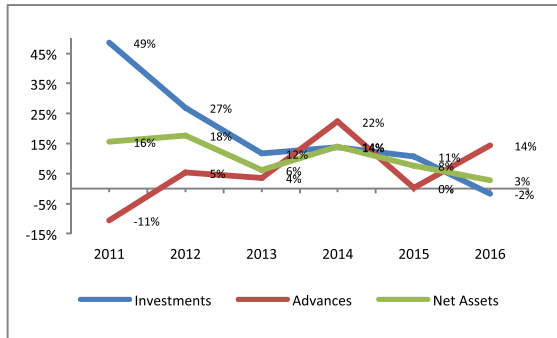
Statement of Financial Position / Profit & Loss

	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12	2012	12 Vs 11	2011	11 Vs 10
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	74,222	23%	60,568	30%	46,754	-22%	59,946	4%	57,420	8%	53,123	17%
Balances with other banks	4,344	20%	3,611	20%	3,016	96%	1,537	29%	1,192	-48%	2,281	54%
Lendings to financial institutions	2,810	-9%	3,080	117%	1,418	16%	1,225	-21%	1,551	62%	955	-78%
Investments	555,929	-2%	565,696	11%	511,137	14%	449,006	12%	402,069	27%	316,652	49%
Advances	347,980	14%	304,122	0%	303,559	22%	248,243	4%	239,583	5%	227,580	-11%
Operating fixed assets	32,753	9%	29,950	-4%	31,193	9%	28,595	20%	23,738	8%	22,008	5%
Other assets	33,777	-10%	37,384	0%	37,555	39%	26,956	-35%	41,520	33%	31,184	13%
	1,051,814	5%	1,004,410	7%	934,631	15%	815,508	6%	767,075	17%	653,782	15%
Liabilities												
Bills payable	12,844	8%	11,889	-29%	16,628	64%	10,139	2%	9,896	5%	9,467	-8%
Borrowings	74,515	-37%	118,040	98%	59,543	54%	38,543	-51%	78,951	102%	39,101	52%
Deposits	781,430	12%	696,805	1%	688,330	9%	632,330	16%	545,061	11%	491,189	14%
Deferred tax liabilities	11,260	-1%	11,377	9%	10,397	147%	4,201	-56%	9,530	47%	6,488	31%
Other liabilities	30,138	6%	28,498	-4%	29,630	48%	20,064	-5%	21,166	15%	18,378	14%
	910,187	5%	866,608	8%	804,527	14%	705,277	6%	664,604	18%	564,622	16%
Net Assets												
	141,627	3%	137,802	6%	130,104	18%	110,231	8%	102,471	15%	89,160	13%
Represented by												
Share capital	11,130	0%	11,130	0%	11,130	10%	10,118	10%	9,199	10%	8,362	10%
Reserves	53,347	4%	51,309	5%	48,830	5%	46,601	5%	44,253	5%	42,186	5%
Unappropriated profit	53,469	5%	50,747	8%	46,948	16%	40,552	14%	35,425	23%	28,724	34%
Surplus on revaluation of assets - net of tax	23,680	-4%	24,616	6%	23,196	79%	12,959	-5%	13,594	37%	9,887	-1%
	141,627	3%	137,802	6%	130,104	18%	110,231	8%	102,471	15%	89,160	13%
Profit & Loss Account												
Mark-up earned	67,422	-16%	80,393	4%	77,269	19%	65,064	-5%	68,356	0%	68,147	24%
Mark-up expensed	(23,655)	-24%	(31,077)	-8%	(33,757)	24%	(27,196)	-1%	(27,500)	16%	(23,620)	31%
Net mark-up income	43,767	-11%	49,316	13%	43,512	15%	37,868	-7%	40,856	-8%	44,526	21%
Provisions & write off	(925)	40%	(659)	-135%	1,864	-35%	2,888	-1093%	(291)	-93%	(4,168)	13%
Net mark-up income after provisions	42,842	-12%	48,658	7%	45,376	11%	40,756	0%	40,565	1%	40,358	22%
Non-mark-up income	16,222	-2%	16,566	28%	12,944	16%	11,171	22%	9,153	13%	8,112	29%
Non-mark-up expenses	(22,989)	0%	(22,895)	6%	(21,591)	10%	(19,639)	9%	(18,077)	6%	(16,987)	29%
Profit before taxation	36,075	-15%	42,329	15%	36,729	14%	32,288	2%	31,642	1%	31,483	20%
Taxation	(14,184)	-15%	(16,782)	35%	(12,405)	15%	(10,793)	-2%	(10,969)	-9%	(12,058)	29%
Profit after taxation	21,891	-14%	25,546	5%	24,325	13%	21,495	4%	20,673	6%	19,425	15%

Commentary on Six Years Horizontal and Vertical Analysis:

Horizontal Analyses

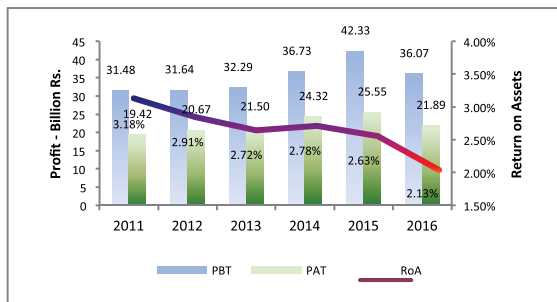
Asset base of the bank has increased considerably over the past 6 years and cross many milestones i.e. PKR 1 trillion; highest increase was observed in 2012 where assets increased by 17%, mainly contributed by investments in terms of volume. On an annualized basis, the asset base has recorded an increase of 11% over the last six years. Highest increase in investment base was reported in 2011 of 49%, followed by 27% increase reported for 2012.



The deposit base of the Bank has increased considerably over the years growing from Rs. 491 billion in 2011 to Rs. 781 billion in 2016 translating into an annual growth of 10% over past 6 years. Equity of the bank has also posted healthy increase due to higher profitability in past 6 years, translating into 10% average growth in past 6 years.

On to Profit and Loss side, gross markup earned has posted an average increase of 4% over a span of six years. Corresponding to the shift in asset mix, contribution from income on investments has increased over the years. The increase in markup expense on deposits is on account of regulatory revisions enacted by the Central Bank and volumetric increase in deposit base. Despite the regulatory revisions enacted during the period, the cost of deposit was strategically managed by reducing high cost deposits and increasing the CASA base of the Bank. However, the cost of deposit of the Bank has increased by 5% over the six year period under coverage.

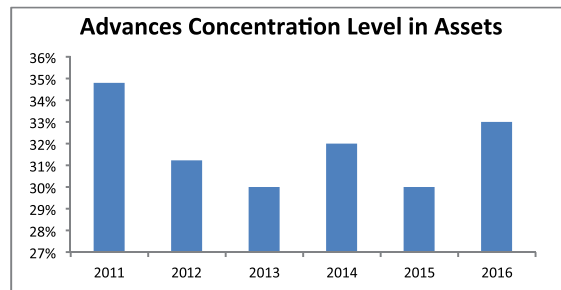
Non Markup income block has shown enormous growth in recent years and the growth rate in past six years is 17%, whereas non- markup expense has grown by an average of 10% which is justifiable on account of growing operational infrastructure and inflationary patterns. Provision against advances and investments has been on a declining trend in past years, apart from last two years i.e. 2015 and 2016 reversals have been made in 2014 and 2013 on account of our prudent risk management framework and aggressive provisioning strategy. Despite provision charge in last two years, on aggregate Rs. 1.2 billion have been reversed in past 6 years. During the past 6 years more than Rs. 200 billion Profit before Tax has been recorded. Profit Before Tax (PBT) and Profit After Tax (PAT) have increased by an average of 5% and 4%, respectively, marking MCB as one of the most profitable bank in the industry and highest RoA in the region.



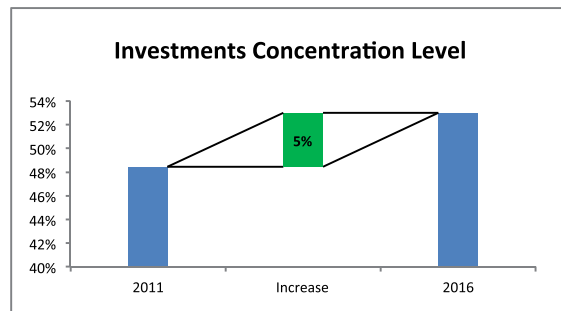
Vertical Analyses

Vertical analysis depicts higher concentration levels of investments and advances in the asset base of the Bank. The advances base of the Bank have posted moderate growth over the last few years due to the lack of credit opportunities and intense competition but in 2016 advances have been increased considerably. There was 35% concentration of advances in 2011 which is slightly below the level at 33% in 2016.

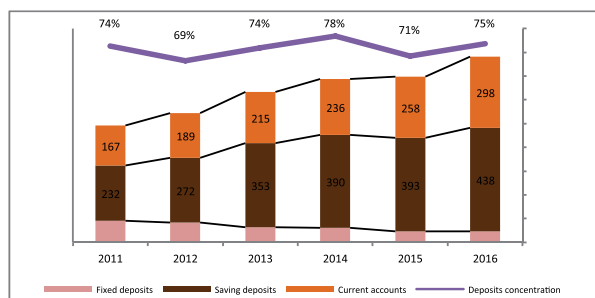
During the past few years, government credit demands have increased and banks focus have been shifted from consumer side to Government lending side but this trend has been changed from 2015 onwards as banks are again focusing towards consumer side. During the recent past years, banks have invested in risk free government securities i.e. Market Treasury Bills and Pakistan Investment Bonds. Hence investment concentration level had increased from 48% in 2011 to 53% in 2016.



Corresponding to the infrastructural and operational growth registered by the Bank, the deposit base has increased considerably over the period of six years. Improved quality service levels and tailored products have earned the loyalty of our customers. This can be substantiated by the fact that the CASA base of the bank has been above 80% over the last many years and currently it is at the highest level in peer banks and maintained above 94% during 2016. Concentration on deposits remained at similar levels over past 6 years i.e. 74% for 2016 (2011 : 75%).



Markup income growth has been steady over the last 6 years. The contribution from markup income approximates 81% 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 has also increased from 22% in 2011 to 27% in 2016, which is well within the reach on budgetary limits.



Quarterly Performance - 2016 & 2015

Rs. in Million

	2016				2015			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Profit & Loss Account								
Mark-up earned	15,410	15,624	18,774	17,614	18,728	20,139	20,901	20,625
Mark-up expensed	(5,359)	(5,305)	(6,703)	(6,289)	(6,420)	(8,064)	(7,969)	(8,623)
Net mark-up income	10,051	10,319	12,071	11,325	12,308	12,074	12,932	12,002
Provisions & write off	(1,591)	78	142	446	(1,935)	525	480	272
Net mark-up income after provisions	8,460	10,397	12,213	11,772	10,372	12,599	13,411	12,275
Non-mark-up income	4,363	5,800	3,100	2,958	3,860	3,528	4,073	5,105
Non-mark-up expenses	(5,913)	(5,937)	(5,484)	(5,656)	(5,972)	(5,850)	(5,568)	(5,505)
Profit before taxation	6,910	10,261	9,830	9,074	8,261	10,278	11,916	11,874
Taxation	(2,446)	(3,545)	(5,135)	(3,057)	(2,930)	(3,603)	(6,287)	(3,962)
Profit and taxation	4,465	6,715	4,694	6,017	5,331	6,675	5,629	7,912
Statement of Financial Position								
Assets								
Cash and balances with treasury banks	74,222	85,001	72,980	59,630	60,568	53,594	70,602	58,009
Balances with other banks	4,344	4,429	3,941	2,073	3,611	1,640	4,182	3,415
Lendings to financial institutions	2,810	868	3,236	1,472	3,080	733	1,375	3,611
Investments	555,929	497,162	598,236	622,797	565,696	615,500	627,524	585,971
Advances	347,980	334,411	342,315	301,184	304,122	307,557	315,273	303,666
Operating fixed assets	32,753	29,933	30,123	29,992	29,950	32,152	31,876	31,502
Other assets	33,777	22,688	35,546	24,743	37,384	24,906	32,589	26,412
	1,051,814	974,492	1,086,377	1,041,890	1,004,410	1,036,083	1,083,421	1,012,585
Liabilities								
Bills payable	12,844	9,843	11,203	8,321	11,889	9,286	10,822	9,870
Borrowings	74,515	33,325	139,989	135,995	118,040	138,712	130,013	89,030
Deposits and other accounts	781,430	754,885	755,434	721,930	696,805	712,197	765,791	736,157
Deferred tax liabilities	11,260	10,175	12,146	11,728	11,377	12,090	12,230	12,324
Other liabilities	30,138	26,263	26,327	23,615	28,498	25,099	27,664	28,510
	910,187	834,492	945,100	901,590	866,608	897,383	946,520	875,891
Net assets	141,627	140,000	141,277	140,301	137,802	138,699	136,901	136,695
Represented by:								
Share capital	11,130	11,130	11,130	11,130	11,130	11,130	11,130	11,130
Reserves	53,347	52,967	52,347	51,837	51,309	50,821	50,168	49,638
Unappropriated profit	53,469	53,029	51,426	51,439	50,747	50,692	49,125	49,628
Surplus on revaluation of assets - net of tax	23,680	22,874	26,374	25,894	24,616	26,056	26,478	26,298
	141,627	140,000	141,277	140,301	137,802	138,699	136,901	136,695

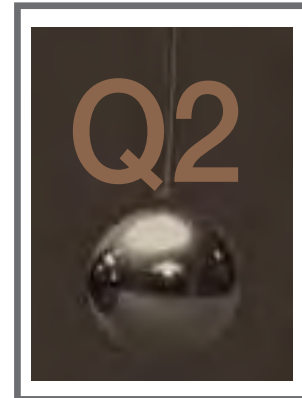
Quarterly Analysis: 2016



During the 1st quarter of 2016, steady growth has been depicted from Net Assets which closed at Rs. 1.042 Trillion posing an increase of 4% over 2015. 4% increase in assets is mainly contributed by 10% increase in investments whereas PIBs amounting to Rs. 58 billion acquired during the 1st quarter. There is slight decrease in advances during the 1st quarter and closed at Rs. 301 billion posting decrease of 1% over 2015. Deposits have shown a growth of 4% as compared to slight decrease in industry deposits. In this decreasing interest rate scenario, growth was observed in current deposits at 7% while CASA was maintained at 94%. Non Performing Loans closed at Rs. 20.8 billion in 1st quarter.

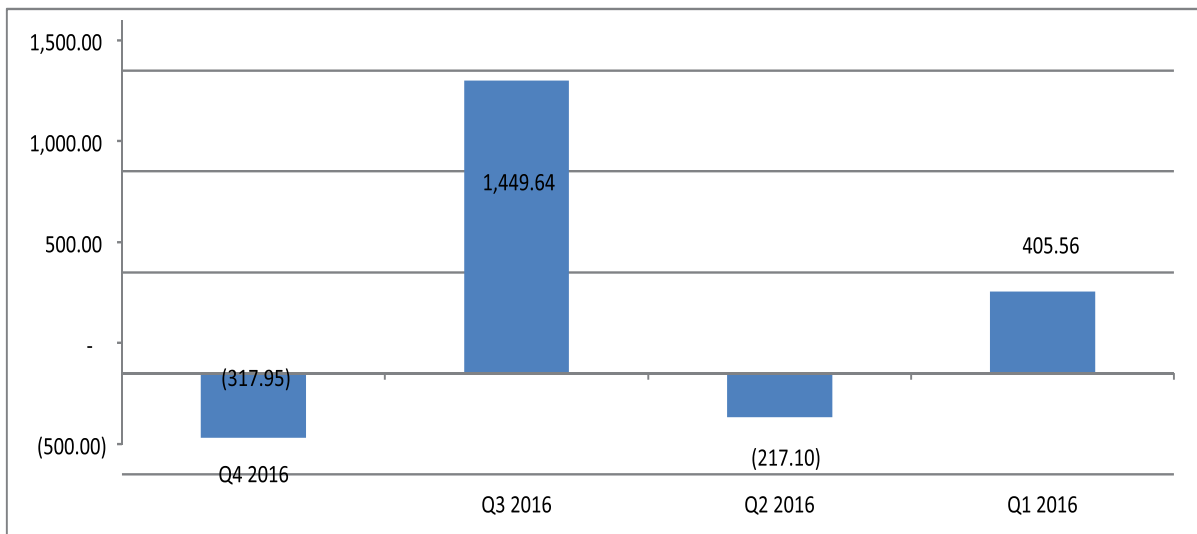
During the 1st quarter profitability of the bank has decreased to 23% in PBT and 24% in PAT. Profitability is decreased due to lower capital gains realized in 1st quarter.

Second quarter of the year was exceptional in terms of assets growth where assets rose up to 8% as compared with YE2015 and closed at Rs. 1.086 trillion. Growth was contributed by investments and advances which grew by 6% and 13% respectively over December 2015. During the 2nd quarter exceptional increase in advances was observed amounting to Rs. 41 billion over 1st quarter. Investments are decreased by Rs. 25 billion primarily on disposal of risk free government securities. 2nd quarter was also proved to be exceptional for deposit growth as deposits closed at Rs. 755 billion with a growth of Rs. 34 billion in 2nd quarter. CASA ratio is well maintained at 94%. Non performing loans slightly decreased in 2nd quarter and closed at Rs. 20.6 billion and it has contributed in profitability of the bank through provision reversal.



PBT for the 2nd quarter was Rs. 9.8 billion while PBT for the half year was closed at Rs. 18.9 billion. PBT was 8% higher than the profit reported in 1st quarter of 2016.

Movement of NPLs – Rs. in million

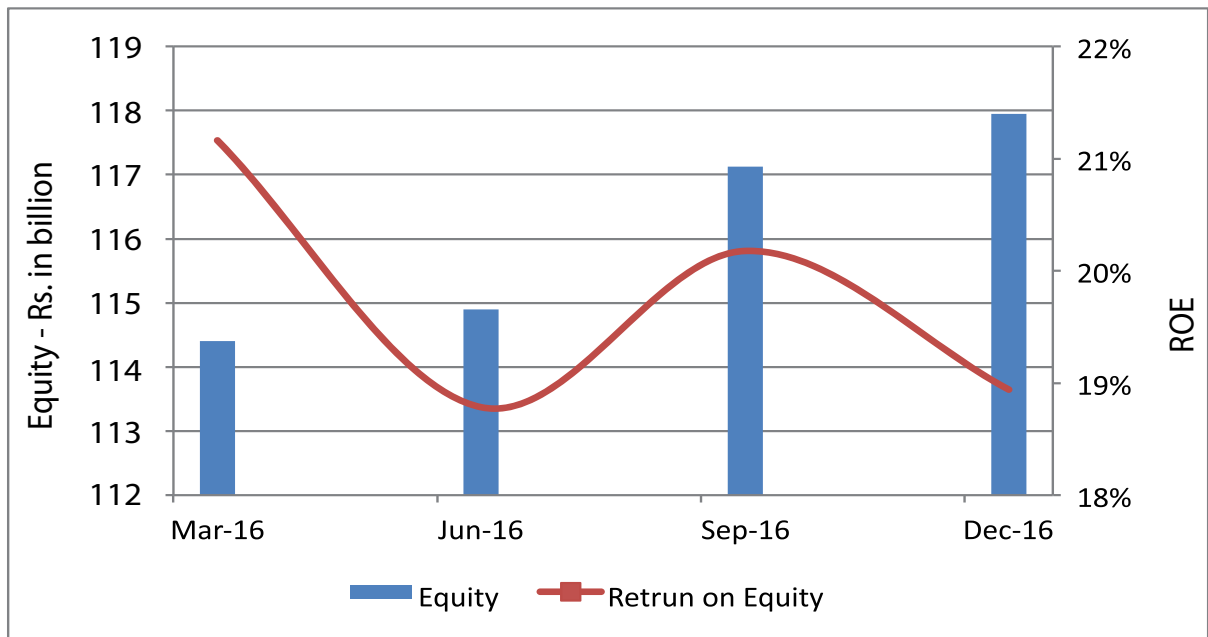


Quarterly Analysis: 2016



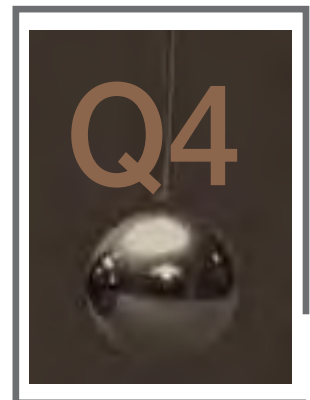
Third quarter remained challenging in which assets growth surged to 3% over the year 2015 and assets fell below the threshold of PKR 1 trillion closed at Rs. 974 billion. Due to maturity of government securities in 3rd quarter, Investments decreased by Rs. 101 billion. There is also decrease in advances amounting to Rs. 8 billion during 3rd quarter. Deposits remained steady during the 3rd quarter and closed at Rs. 755 billion while bank is able to maintain CASA base at 94%. Due to heavy maturity of government securities bank is able to liquidate its repo borrowing in 3rd quarter and Rs. 107 billion decrease has been observed on borrowing front during the 3rd quarter of 2016.

3rd quarter of 2016 was phenomenal in terms of Capital Gains. Rs. 3.5 billion was posted in 3rd quarter in terms of Capital Gains. This is due to the excellent strategic management of invested portfolio of risk free government securities and equity portfolio of the bank. Due to realization of gains bank is able to post Rs. 10.2 billion profit before tax in 3rd quarter which was the highest quarterly profit (PBT) in 2016. PAT is closed at Rs. 17.4 billion for nine months while Rs. 6.7 billion was earned in 3rd quarter.



Assets of the bank again got its growth momentum and closed at Rs. 1.052 trillion. Growth in assets is contributed by Rs. 55 billion invested in Government securities and Rs. 14 billion increase in advances during the last quarter of 2016. Deposits have showed growth of Rs. 27 billion in 4th quarter and closed at Rs. 781 billion. Deposits have posted Rs. 84 billion during 2016 showing increase of 12% over December 2015. NPLs of the bank closed at Rs. 21.7 billion showing an over all increase of Rs. 1.3 billion.

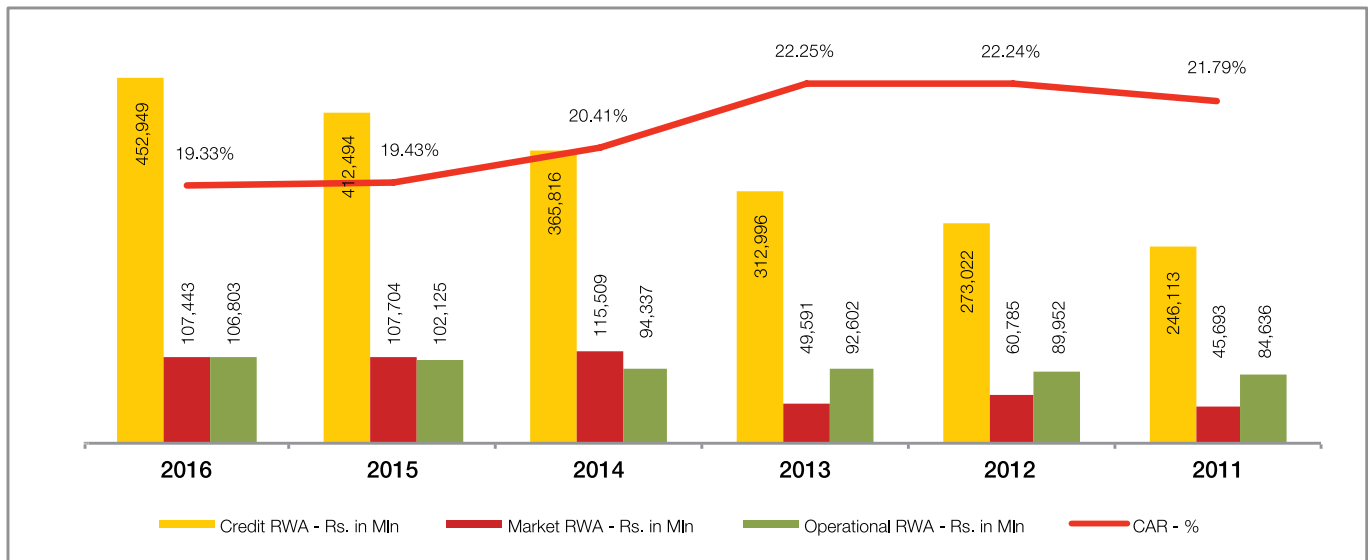
In terms of profitability, bank is able to post Rs. 36.1 billion profit before tax while profit of Rs. 6.9 billion was posted in 4th quarter of 2016. Lowering of quarterly profit is due to subjective downgrading of some of portfolio. Capital Gain of Rs. 1.5 billion. were also realized in 4th quarter. The Bank is able to maintain its administrative expenses within approved limits by effective utilization of resources



Capital Structure

(Rs. in Millions)

	2016	2015
Tier 1 Capital		
Shareholders equity /assigned capital	11,130	11,130
Share premium	9,703	9,703
Reserves	43,477	41,288
Unappropriated profits	53,469	50,747
	117,779	112,868
Deductions:		
Book value of intangible and advances given for intangible	431	823
Defined benefit pension fund assets - net	3,032	1,471
Other deductions	2,318	3,507
	5,780	5,800
Total Tier 1 capital	111,999	107,067
Tier 2 Capital		
General provisions subject to 1.25% of total risk weighted assets	760	559
Revaluation reserves	18,360	16,493
Foreign exchange translation reserves	167	318
	19,287	17,370
Deductions:		
Other deductions	2,318	3,507
Total Tier 2 Capital	16,970	13,863
Total Regulatory Capital Base	128,968	120,930
CAPITAL ADEQUACY		
Risk Weighted Assets		
Credit Risk	452,949	412,494
Market Risk	107,443	107,704
Operational Risk	106,803	102,125
Total RWA	667,195	622,323
CAPITAL ADEQUACY RATIO		
Total eligible regulatory capital held	128,968	120,930
Total Risk Weighted Assets	667,195	622,323
Capital Adequacy Ratio	19.33%	19.43%

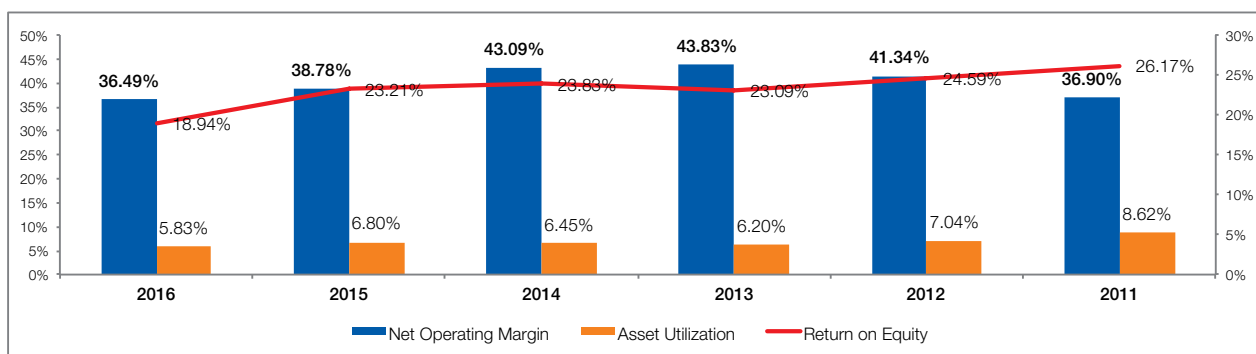


DuPont Analysis

			2016	2015	2014	2013	2012	2011
Net Operating Margin	PAT / Total Income	A	36.49%	38.78%	43.09%	43.83%	41.34%	36.90%
Asset Utilization	Total Income / Average Assets	B	5.83%	6.80%	6.45%	6.20%	7.04%	8.62%
Return on Assets		C = A x B	2.13%	2.63%	2.78%	2.72%	2.91%	3.18%
Leverage Ratio/ Equity Multiplier	Average Assets / Average Equity	D	8.90	8.81	8.57	8.50	8.45	8.23
Return on Equity		C x D	18.94%	23.21%	23.83%	23.09%	24.59%	26.17%

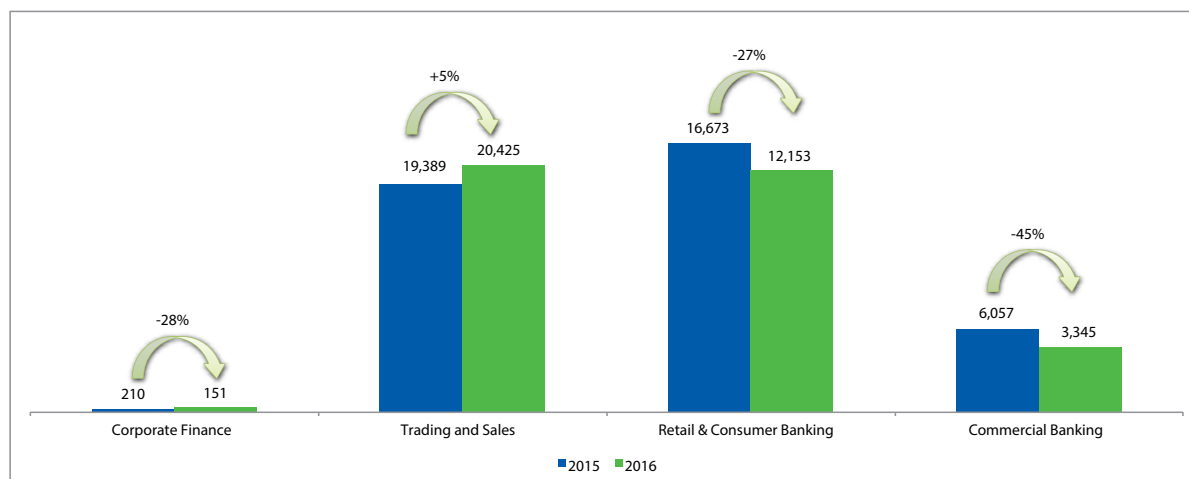
Following are the main DuPont analysis highlights:

- 1) Net operating margin measure in term of profit margins decreased in 2015 and 2016 due to imposition of super tax and maturities of high yields government securities.
- 2) Assets 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 2011.



Segment Analysis

	2016	2015	Var	%
Corporate Finance	151	210	(59)	-28%
Trading and Sales	20,425	19,389	1,036	5%
Retail & Consumer Banking	12,153	16,673	(4,520)	-27%
Commercial Banking	3,345	6,057	(2,712)	-45%
	36,075	42,329	(6,254)	-15%



*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

	2016	2015
	(Rupees in '000)	
CHARITY FUND		
Opening balance as on January 01	2,505	19,681
Additions during the year		
Received from customers on delayed payments	6,002	2,897
Dividend purification amount	4,608	-
Profit on charity saving account	65	527
	10,675	3,424
Payments / utilization during the year		
Social welfare	(800)	(4,200)
Health	(800)	(8,000)
Education	(1,000)	(8,400)
	(2,600)	(20,600)
Closing balance as at December 31	10,580	2,505
Detail of charity made during the year is as follows:		
Sindh Institute of Urology & Transplant (SIUT)	400	2,000
Care Foundation Pakistan	-	3,000
The Rising Sun	400	2,400
Aziz Jahan Begam Trust for the Blind	400	2,000
Mind Organization	400	2,400
Namal College Mianwali	-	2,000
M/S Quershi Nazir Education Trust	1,000	1,200
The Citizen Foundation	-	1,200
Anjuman- i- Hamayat e Islam	-	1,000
The Young Men's Kalyana Association (Regd)	-	1,000
Rising Sun Education & Welfare Society	-	2,400
	2,600	20,600

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

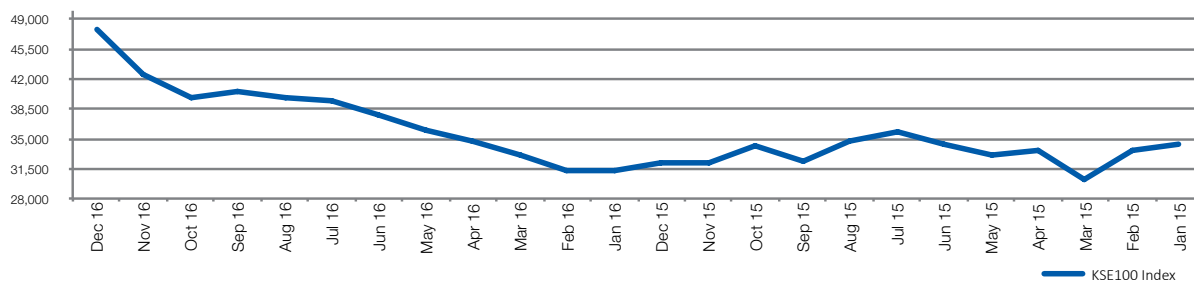
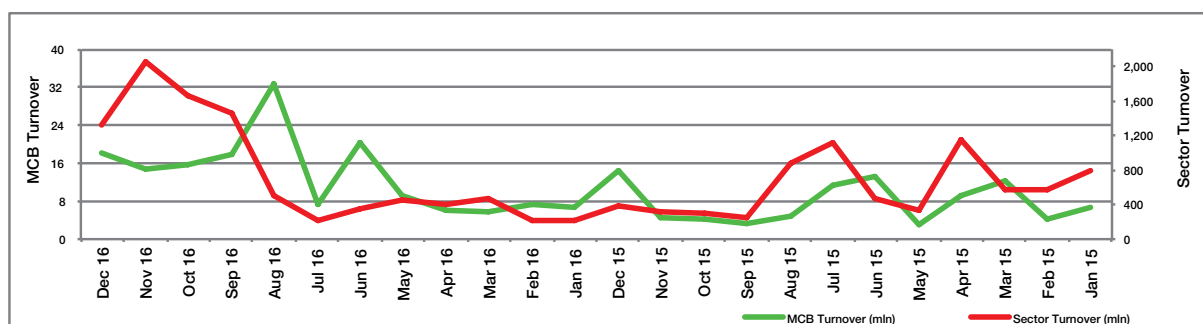
	2016	2015
	(Rupees in '000)	
Children's Hospital Lahore	5,000	-
Govt Hospital Gwadar	1,000	-
Sri-Lanka Pakistan Friendship Association for rehabilitation of flood victims	715	-
Pink Ribbon (media time donated)	1,484	1,555
Shaukat Khanam Hospital (media time donated)	1,376	2,019
The Institute of Chartered Accountants of Pakistan	2,000	500
Old Ravians Association Lahore	300	100
LUMS Entrepreneurial Society	300	-
Lahore Businessmen Association for Rehabilitation of the Disabled	400	-
Kinnaird Entrepreneurial Club	125	-
Fronteir Works Organization - M2 Horticulture Initiative	-	850
Shaukat Khanum Hospital Peshawar	-	500
NUST Scholars Support Program	-	300
Suleman Dawood School of Business Luminites	-	250
South Asian Federation of Exchange	-	150
	12,700	6,224

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

Market Statistics of MCB's Share

	Share Price			Free Float		Market Capitalisation	
	MCB Scrip (Rs.)			Shares	%	Capital	Value
	High	Low	Closing	('000s)		(Mln)	(Mln)
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
2015							
December 31, 2015	245.85	205.34	216.85	413,828	37.18%	11,130	241,361
September 30, 2015	281.67	229.45	229.45	414,539	37.24%	11,130	255,385
June 30, 2015	291.68	232.88	249.12	350,332	31.48%	11,130	277,278
March 31, 2015	338.82	234.80	246.53	428,953	38.54%	11,130	274,395

Dividend and Bonus	2016		2015	
	Mln	%	Mln	%
Final cash dividend	4,452	40	4,452	40
3rd interim dividend	4,452	40	4,452	40
2nd interim dividend	4,452	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 decrease in discount rate will result in lower net interest income and reduce profitability of the Bank. As a result, its share price may drop.

Minimum Rate of Return on Deposits

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

Inflation

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

Political Stability & Law and order situation

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

Investor Grievances

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 (MCBIBL) - a subsidiary company	2014
Transfer of Islamic Banking Operation to MCBIBL	2015

Financial Calendar

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 scheduled 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

2011

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

Issues Raised in the Last Annual General Meeting (AGM)

No significant issue was raised in the last AGM. However, shareholders sought below general clarification on Bank's published financial statements during the 68th Annual General Meeting of the Bank held on March 29, 2016:

On a query of a member, CFO apprised that the domestic industry advances increased by 10% over 2014; however, MCB's share decreased to 6.45% on domestic front as at 2015. While explaining Non-Performing Loans ("NPL"), CFO stated that NPL base of the Bank continued on its decreasing trajectory taking total NPL reduction to PKR 1.539 billion for YE15. He added that contraction in NPL base was primarily observed in doubtful and loss categorized advances which went down by PKR 828 million and PKR 426 million, respectively. CFO further stated that second half of year 2015 remained challenging for deposit growth owing to the transactional tax introduced through Finance Act, 2015 for non-filers. The deposit base of the Bank recorded an increase of 3% over YE14 with Current Accounts & Savings Accounts ("CASA") base of the Bank gaining strength to 93% with current accounts growing by 10%, savings by 2% and fixed deposits decreasing by 20%. While elucidating the cost of deposits, he stated that overall cost of deposit of banking industry had reduced primarily because of continuous fall in discount rate.

In response to a query, CFO stated that the gross investment base of the Bank was reported at PKR 550 billion, reflecting an increase of PKR 55.1 billion over 2014 in absolute terms. He added that while comparing with 2014 numbers, Treasury Bills ("T-Bills") grew by PKR 85.6 billion, whereas, Pakistan Investment Bonds ("PIBs") decreased by PKR 48.9 billion. He also stated that equity portfolio of the Bank increased by PKR 5 billion where investment of PKR 10 billion was made in Bank's subsidiary, namely, MCB Islamic Bank Limited. He apprised that approximately 95% of the investment base was in risk free PIBs and T- Bills with 3% exposure in equity securities. On equity portfolio front, the Bank recorded impairment on some of its oil and banks related exposures based on the subjective assessment, he added.

On an enquiry of a member, CFO stated that taxation numbers increased by 35% over 2014 due to imposition of super tax and retrospective application of 35% tax on capital gains and dividends.

The Chairman, on conclusion of CFO briefing on financial results, stated that year 2015 remained challenging for the banking industry in terms of deposits. Tax on transactions introduced for non-filers had an impact on the deposit growth rate registered in the preceding years. However, overall deposit growth remained satisfactory despite the reduction in high cost deposits. He added that despite the challenging operating environment, the Bank posted remarkable financial results and maintained healthy profitability for the year under review. He informed the members that the Bank continued with its strong performance on account of low cost deposits base, improved quality of advances and significant contribution from non-markup income. The Chairman further added that Pakistan Credit Rating Agency ("PACRA") through its notification dated June 24, 2015, had maintained Bank's long term credit rating of AAA (Triple A) and short-term credit rating of A1+ (A one plus).

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 having a rich 45 years' teaching and 30 years' Fatawa 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 of 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

Mufti Syed Sabir Hussain, working with MCB Islamic Bank Ltd. since September 2015, is a prominent Shari'ah Scholar and experienced Islamic Banker with 16 years of teaching, 12 years of Fatawa and Islamic banking experience. He holds Shahadat-Al-Alimiyah, M.A Islamic Studies, M.Phil in Islamic Banking & Finance and M.S (I.T) degrees.

He is ex-member of Shar'iah Advisory Board of SECP, Member of the Committee on Accounting and Auditing Standards of ICAP and invitee participant of SBP - Shari'ah Board 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 an author of 14 books on Islamic economics & banking and other social issues, He is also delivering lectures in different Dar-ul-Uloms 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 and Master in Arabic from Punjab University, Lahore. He also hold 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-Ifta (in Islamic Fiqh and fatwa) from Jamia Dar-ul-Uloom, Karachi. He is currently pursuing PhD in Islamic Banking and Finance from UMT.

He has 18 years' teaching and Fatawa issuance experience, and 7 years' experience as a Shari'ah consultant with Ghani Global Group and some other Islamic financial institutions. He is a Lecturer of Tafsir, Hadith, Fiqh in world-renowned Islamic university Al-Jamia Al-Ashrafia, Lahore since August 2005 and a Mufti (Trainer/Consultant) in Al-Jamia Al-Ashrafia since August 2005. 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 presented academic papers at different conferences such as the Muslim World League' conference. He is also a writer of many articles on different Shari'ah related issues & topics and published his edited compilation of Mufti Taqi Usmani's writings on Islamic Economics and finance (Titled - Islam aur Jadid Ma'ashi Masail, 8-volumes) published by Idara-e-Islamiaat, Lahore.

Report of Shari'ah Board

(For the year ended December 31, 2016)
In the name of Allah, the Beneficent, the Merciful

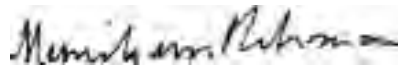
The Shari'ah Board of MCB Islamic Bank Ltd. (MIB) was established in September 14 2015, which comprises of respected Professor Mufti Munib-ur-Rehman as Chairman Shari'ah Board, Mufti Syed Sabir Hus-sain as Resident Shari'ah Board Member (RSBM) and Mufti Mahmood Ahmad as Member Shari'ah Board. In the year 2016 Shari'ah Board meetings were held on the following dates:

- First Shari'ah Board Meeting – January 27, 2016
- Second Shari'ah Board Meeting – May 16, 2016
- Third Shari'ah Board Meeting – October 04, 2016

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 & Shari'ah Training Department (SC&STD) of MIB carried out reviews, of each class of transactions, products, process flows/modus operandi and concepts. In order to enhance the Islamic banking knowledge and expertise, Islamic banking trainings, in general as well as product wise, were made mandatory for all staff of the Bank with the coordination of HR department. The Shari'ah Board of the MIB has issued Four (4) Instructions & Guidelines & Two (2) Fatawas during the period.
3. SC&STD with the coordination of management has reviewed the existing legal documents of financing products namely Diminishing Musharakah, Ijarah, Musharakah Running Finance, Musharakah Export Finance and Staff Financing based on Diminishing Musharakah. Legal documents of remaining products are in process of review.
4. SC&STD has also conducted Islamic Banking training sessions for the front and back offices staff of MIB. Further, SC&STD has taken initiative to establish an effective and comprehensive Islamic Banking training mechanism for all business centers, Branch Managers/ Branch Operation Managers, Executive Management and Board of Directors.
5. 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 MIB earned Non Shari'ah compliant income Rs.10.7 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 tawfeeq, 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.



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: January 24, 2017

شریعی بورڈ رپورٹ

(مالی سال اختتام پذیر 31 دسمبر 2016ء)

اللہ کے نام سے شروع، جو انتہائی مہربان اور رحم کرنے والا ہے۔

ایم سی بی اسلامی بینک (ایم آئی بی) کا شریعی بورڈ 14 ستمبر 2015ء کو تشکیل پایا، جو پروفیسر مفتی منیب الرحمن چیئرمین شریعی بورڈ، مفتی سید صابر حسین ریزنڈنٹ شریعی بورڈ ممبر اور مفتی محمود احمد، ممبر شریعی بورڈ پر مشتمل ہے۔ 2016ء میں شریعی بورڈ کے اجلاس درج ذیل تاریخوں میں منعقد ہوئے:

- ☆ شریعی بورڈ کا پہلا اجلاس، 27 جنوری، 2016ء
- ☆ شریعی بورڈ کا دوسرا اجلاس، 16 مئی، 2016ء
- ☆ شریعی بورڈ کا تیسرا اجلاس، 14 اکتوبر، 2016ء

(1) چونکہ بورڈ آف ڈائریکٹرز اور ایگزیکٹو منتظمین اس امر کے ذمہ دار ہیں کہ ایم آئی بی کے جملہ معاملات شریعی کے اصولوں کے عین مطابق ہوں، لہذا ہم (شریعی بورڈ) ایم آئی بی کے شریعی 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 شریعی کمپلائنس اور شریعی ٹریننگ ڈیپارٹمنٹ نے تمام قسم کے مالی معاملات، پروڈکٹس، معاملات کے مراحل اور نظریات کا جائزہ لیا ہے۔ اسلامی بینکاری کے بارے میں علم اور مہارت کو بڑھانے کی غرض سے بالعموم اسلامی بینکاری اور بالخصوص پروڈکٹس کی تربیت ہیومن ریسورس ڈیپارٹمنٹ (HRD) کے تعاون سے تمام اسٹاف کے لئے لازمی ہے۔ ایم آئی بی کے شریعی بورڈ نے اس دوران چار ہدایات و لائحہ عمل اور دو فتاویٰ جات جاری کئے ہیں۔

(3) بینک کے منتظمین کے تعاون سے شریعی کمپلائنس اور شریعی ٹریننگ ڈیپارٹمنٹ نے موجودہ تمام قانونی کاغذات جیسے شرکت متناقصہ، اجارہ، جاری مشارکہ، برآمدی مشارکہ اور شرکت متناقصہ پر مبنی اسٹاف فائنانسنگ کا شرعی اعتبار سے جائزہ لیا ہے۔ اس سلسلے میں بقیہ قانونی کاغذات ابھی جائزے کے مراحل میں ہیں۔

(4) شریعی کمپلائنس اور شریعی ٹریننگ ڈیپارٹمنٹ نے بینک کے فرنٹ آفس اور بیک آفس اسٹاف کے لئے اسلامی بینکاری کی ٹریننگ کے کئی پروگرامز منعقد کئے ہیں۔ مزید برآں شریعی کمپلائنس اور شریعی ٹریننگ ڈیپارٹمنٹ نے کاروباری معاملات انجام دینے والے اسٹاف، برانچ مینجرز، آپریشن مینجرز، ایگزیکٹو منتظمین اور بورڈ آف ڈائریکٹرز کی ٹریننگ کے سلسلے میں ایک پرائز اور جامع پروگرام ترتیب دیا ہے۔

(۵) شریعہ 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:

- (الف) ایم آئی بی نے شریعہ بورڈ کے جاری کردہ فتاویٰ جات اور ہدایات و لائحہ عمل کے مطابق شرعی اصول و ضوابط کو پورا کیا ہے۔
- (ب) ایم آئی بی، 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۔
- (ج) شریعہ کمپلائنس کو یقینی بنانے کے لئے ایم آئی بی کے پاس ایک جامع طریقہ کار موجود ہے۔
- (د) مالی معاملات کے شریعہ کمپلائنس کے دوران یہ معلوم ہوا کہ ایم آئی بی نے مختلف مدت سے 10.7 ملین کی غیر شرعی آمدنی 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۔
- (ه) ایم آئی بی کے نفع و نقصان کی تقسیم اور پول کی انتظام کاری اسٹیٹ بینک آف پاکستان کی ہدایات کے عین مطابق ہے۔
- (و) 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۔
- (ز) 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۔ شریعہ بورڈ کو اپنی ذمہ داریوں سے عہدہ برآں ہونے کے لئے خاطر خواہ وسائل فراہم کئے گئے ہیں۔
- شریعہ بورڈ اللہ تعالیٰ کی بارگاہ میں اُس کی تعریف پیش کرنے اور اُس سے ہدایت اور توفیق کا خواہاں ہے اور سینئر مینٹلمین اور اسلامی بینکاری انڈسٹری کی مخلصانہ کوششوں سے ان شاء اللہ اسلامی بینکاری نظام کی مزید پیشرفت، ترقی اور خوشحالی کا متنبی ہے۔

پروفیسر مفتی نبیب الرحمن

چیئر مین شریعہ بورڈ

مفتی محمود احمد

شریعی بورڈ ممبر

مفتی سید صابر حسین

ریزیڈنٹ شریعی بورڈ ممبر

تاریخ اجراء: 24 جنوری، 2017ء

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 tradeoff 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 Eyes 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 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 2016. It includes updating of Consumer Credit Policy, approval of Credit Approval & Review Authority Matrices, and Geographical & Industry limits.

The RM&PRC guides the management on its risk taking activities within the approved policy framework by the Board. Regular meetings of RM&PRC were convened to oversee the risk exposures and their trends as a result of the various initiatives undertaken by the Bank. The committee reviewed different aspects of the loan portfolio which, among others, include asset growth, credit quality, credit concentration, lending business trend and cross sectional analysis. Review of various aspects of Country Risk, Liquidity risk, Market risk covering interest rate risk, foreign exchange risk, equity price risk, along with the stress-testing was also a regular feature. Operational risk assessments and key risk indicators pertaining to processes, people and reputation were also regularly reviewed by the committee. The committee also reviewed 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 were 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 2016, the Bank continued 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 5.90% is significantly 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 revamped its 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. 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 risks 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 extensive 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. Bank is currently not taking any market risk exposure on the derivatives transactions and all positions are hedged on back to back basis with other financial institutions. 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.

Operational Risk Management Software (ORMS) has been developed in house which enhanced banks' capacity to capture and report operational risk events. The ORMS has been enhanced by including the module for direct reporting of loss data from grass root level. Training of coordinators for reporting of loss data modules of branches has also been part of the land marks achieved during 2016. The ORMS will be further augmented in future to enable the bank to focus on advanced approaches of Operational Risk. The software is also capable for periodical regulatory and management reporting. RMG (or ORMS) has also initiated technology risk assessment through capturing and reporting data on Distributed Denial of Service attacks (DDOS). 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 19.33% against the requirement of 10.65% (including capital conservation buffer of 0.65%). Quality of the capital is 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 has ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.5% 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 8.59% 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 will meet BASEL III required liquidity standards viz. Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and the liquidity monitoring tools.

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 Central 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 16.79% 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 within the prescribed regulatory limits.</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 functions identify, measure, manage, monitor and mitigate 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. Operational Risk Management Software (ORMS) has been developed in house which enhanced banks' capacity to capture and report operational risk events.</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 69th annual report of MCB Bank Limited for the year ended December 31, 2016.

Economy Review

As the year 2016 dawned, there were a handful of trends driving the global economy. Firstly, 2016 saw the Federal Reserve raise interest rates in the United States for the second time in ten years, by 25 basis points. The world's largest economy is on a path of monetary tightening after two hikes in the last two years, which will continue in 2017 with the unexpected victory of Donald Trump in the US Presidential Elections in November. Trump promises to spend nearly \$1 trillion in infrastructure spending while keeping tax rates low, a move which is likely to give rise to greater inflation in the United States. The Federal Reserve believes it will raise interest rates at least three times in 2017 which could have a profound impact on emerging markets, as a result of a strong dollar and capital flight due to better yields in the US.

Secondly, oil prices remained volatile throughout the year with WTI spot starting the year at \$35 a barrel and plummeting to \$26 a barrel in February owing to the ongoing supply glut. However, oil prices rallied particularly towards the end of 2016, as OPEC and non-OPEC countries agreed to cut output by almost 1.8 million barrels a day, with the cuts to come online by January 2017 for a period of at least six months. As a result, WTI spot ended 2016 at \$54 a barrel. However, upsides remain limited particularly due to the prospect of US shale to come back online and whether the OPEC and non-OPEC countries actually comply with the output reduction agreements.

Thirdly, 2016 also saw a historic vote by the people of Britain to exit the European Union by a majority of 52% to 48%. The result was a rapid depreciation of the pound relative to the dollar, as markets continued to digest the reality of a European Union without Great Britain. With the UK government's insistent focus on taking control of immigration issues and law-making, the UK will likely quit the European single market, thus, making the form of Brexit a hard one. The Bank of England, in response to the Brexit vote, cut its benchmark interest rate by 25 bps, anticipating difficult times ahead for the UK.

Fourthly, growth in the Eurozone and Japan remained frail. In an attempt to revive its economy and push inflation higher, the Bank of Japan introduced negative interest rates for the

first time in January. Meanwhile, the ECB also cut its deposit rates further from -0.30% to -0.40% while also extending its asset purchasing program till Dec 2017. The theme of monetary policy divergence between the United States, which is on a path of monetary tightening, and ultra-loose monetary policy in other developed markets, is likely to continue going forward in the medium term.

Meanwhile, Pakistan's economy continued to show signs of promise in 2016. After recording growth of 4.2% in FY15, GDP grew at 4.7% in FY16 and is further projected to increase to more than 5% in FY17. MCB Purchasing Managers Index (MCB PMI) also confirmed this trend as it stood at 64.28 in December 2016, showing continuation of growth. At present, the manufacturing sector appears to be growing at a moderate pace, with Large-Scale Manufacturing (LSM) increasing on a year-on-year basis by 3.90% in the Jul – December FY17 period, according to Pakistan Bureau of Statistics. However, despite the positives, Pakistan's trade deficit widened further as exports decreased while imports increased. Pakistan's exports have declined by 2.3% YoY from Jul – Dec FY17 while imports have increased by 6.0% YoY during the same period. As a result, Pakistan's trade deficit widened to \$10.8 billion. In addition, workers' remittances stood at \$9.45 billion from Jul – Dec FY17, registering a decline of 2.37% on a year-on-year basis. Therefore, a wider trade deficit and a drop in workers' remittances has put pressure on Pakistan's current account, with the cumulative deficit recorded at \$3.6 billion during Jul – Dec FY17, nearly twice as much as in the same period last year.

Despite these developments, USD/PKR remained relatively stable, starting the year at 104.74 and ending it at 104.60. Pakistan's foreign exchange reserves improved further in 2016, with SBP reserves growing from \$15.9 billion to \$18.3 billion by December 2016. This was the result of receipt of the final few IMF tranches, issuance of \$1 billion in Sukuk bonds and budgetary support from China Development Bank. Pakistan's total foreign exchange reserves ballooned to \$23.2 billion by the end of the year.

The State Bank of Pakistan kept an accommodative monetary policy stance during the year. The policy rate was cut by 25 bps to 5.75% while a new Monetary Policy Committee (MPC) was also instituted. Year-on-year CPI Inflation, meanwhile, remained relatively range-bound, touching a low of 3.17% in May 2016 and a high of 4.21% in October 2016. By December 2016, year-on-year CPI inflation stood at 3.70%.

Directors' Report to the Members

Profit and Appropriation

The profit before and after taxation for the year ended December 31, 2016 together with appropriations is as under:

	Rs. in Million
Profit before taxation	36,075
Taxation	14,184
Profit after taxation	21,891
Un-appropriated Profit Brought Forward	50,747
Re-measurement of defined benefit plans - net of tax	780
Transferred from Surplus on Revaluation of Fixed Assets-net of tax	49
	51,575
Profit Available for Appropriation	73,466
Appropriations:	
Transferred to Statutory Reserve	2,189
Final Cash Dividend @ Rs 4.0 per share - December 2015	4,452
Interim Cash Dividend @ Rs 4.0 per share - March 2016	4,452
Interim Cash Dividend @ Rs 4.0 per share - June 2016	4,452
Interim Cash Dividend @ Rs 4.0 per share - September 2016	4,452
Total Appropriations	19,997
Un-appropriated Profit Carried Forward	53,469

Dividends

The Board of Directors declared final cash dividend of Rs. 4.0 per share for the year ended December 31, 2016 which is in addition to Rs. 12.0 per share interim dividends already paid to shareholders, taking the dividend payout ratio to 81.34%. The effect of the recommendation is not reflected in the above appropriations.

Performance Review

MCB Bank Limited reported Profit Before Tax (PBT) of Rs. 36.07 billion and Profit After Tax (PAT) of Rs. 21.89 billion. Net markup income of the Bank was reported at Rs. 43.8 billion, down by 11.25% over last year. On the gross markup income side, the Bank reported a decrease of Rs. 12.97 billion which was mainly on account of decreased yields on advances and investments in-line with interest rate movements.

On the interest expense side, the Bank registered a decrease of Rs. 7.42 billion over last year, which commensurate with the decreasing interest rate environment and Bank's strategy to taper off its high cost deposits during the year.

On the non-markup income front, the Bank reported a base of Rs. 16.22 billion with major contributions from fees & commissions, Capital gains and dividend income. The administrative expense base (excluding pension fund reversal) recorded a nominal decrease of 0.67% over last year depicting continued focus on cost control and deployment of cost-effective measures. On the provision front, the Bank subjectively downgraded its portfolio in the last quarter of 2016 on prudent basis.

The total asset base of the Bank was reported at Rs. 1,051.81 billion presenting an increase of 4.72% over 2015. Analysis of the asset mix highlights that net investments have decreased by Rs. 9.77 billion (-1.73%) with net advances increased by Rs. 43.86 billion (+14.42%) over December 31, 2015. The coverage and infection ratios of the Bank improved to 90.82% and 5.90% respectively.

On the liabilities side, the deposit base of the Bank recorded an increase of Rs. 84.63 billion (+12.14%) over December 2015. MCB Bank Limited continued to enjoy one of the highest CASA mixes in the banking industry of 94.13% with current deposits increasing by 16% and savings deposits by 11% over December 2015. Strategic focus on current accounts resulted in increase in concentration level to 38% of the total deposit base.

Earnings per share (EPS) for the year were reported at Rs. 19.67 as compared to Rs. 22.95 for 2015. Return on Assets and Return on Equity were reported at 2.13% and 18.94% respectively, whereas book value per share stood at Rs. 105.97.

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

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. Pursuant to the Amalgamation, 73,569,197 ordinary shares of MCB shall be issued 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 subject to obtaining all necessary regulatory approvals.

Directors' Report to the Members

Demerger of Islamic Banking Operations

During the year, MCB Bank Limited has transferred all assets and liabilities of Islamic Banking Operations to MCB Islamic Bank Limited (wholly owned subsidiary) under the scheme of demerger sanctioned by the Honourable Lahore High Court. Details are given in note 9.11 to the unconsolidated financial statements.

Risk Management Framework

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

Forward Looking Statement

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 income. 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.

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 discount rate will result in lower net interest income and reduce profitability of the Bank.

Minimum Rate of Return on Deposits: Any upward revision in the minimum deposit rate will result in compression in net interest margins earned due to increased cost of deposits. Such revision can negatively impact the earning of the Bank.

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.

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

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

Directors' Report to the Members

Credit Rating

The Pakistan Credit Rating Agency (PACRA) through its notification dated June 24, 2016, has maintained bank's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus].

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 ensure 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 except for the change in accounting policy as described in note 5.13 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 upon the Bank's ability to continue as a going concern;
- The System of Internal Control is sound in design and has been effectively implemented and monitored;
- Key operating and financial data of last six years is presented in the stakeholder's section of this Annual Report;
- Pattern of Shareholding, complying with the requirements prescribed by the code is annexed with this Annual Report;
- Statement of Compliance with Code of Corporate

Governance is included in the Annual Report;

- 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, 2016 on the basis of audited accounts is Rs. 12,320.038 Million and Rs. 8,055.207 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, 2016, as required u/s 236 of the Companies Ordinance, 1984 and Clause (xvi) of the Code of Corporate Governance is annexed with this annual report.

Auditors

The retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, being eligible for the next term have offered themselves for reappointment. Upon recommendation of the Audit Committee, the Board recommends appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as the statutory auditors of the Bank for the financial year 2017 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



Mian Mohammad Mansha
Chairman, MCB Bank Limited

February 08, 2017

ڈائریکٹرز رپورٹ:

یورڈ آف ڈائریکٹرز کی جانب سے میں اہم بی بی بک ایجنڈا کی 69 ویں سالانہ رپورٹ برائے سال پے اہتمام 31 دسمبر 2016 کو پیش کرتے ہوئے نہایت مسرت محسوس کرتا ہوں۔

معاشی جائزہ:

سال 2016 کے شروع کے ساتھ ہی چند اہم رجحانات نے عالمی معیشت کو متحرک رکھا۔ اول یہ کہ، سال 2016 میں امریکہ میں فیڈرل ریزرو کی جانب سے انٹرسٹ ریٹ میں گزشتہ دو سالوں میں دوسری مرتبہ 25 بی بی ایس (bps) کا اضافہ کیے جس میں آئی۔ ویل کی سب سے بڑی معیشت بھی، پچھلے دو سالوں میں اضافوں کے بعد، مالیاتی نظام کی ترقی اور انضمام کی راہ پر گامزن ہے اور ڈیٹا ڈیٹا ٹرسٹ کی فوہر کے امریکی صدارتی انتخابات میں غیر متوقع کامیابی کے باعث بدترکان سال 2017 میں بھی جاری رہنے کا امکان ہے۔ ٹرسٹ کے تقریباً 1 ٹریلین امریکی ڈالرز انفراسٹرکچر میں صرف کرنے اور اس دوران ٹیکسوں میں کمی رکھنے کے وعدے کو ایسے اقدام سے تعبیر کیا جاتا ہے جو کہ امریکہ میں انفراسٹرکچر میں اضافہ کا باعث بنے گا۔ فیڈرل ریزرو پر یقین ہے کہ وہ سال 2017 میں کم از کم تین مرتبہ انٹرسٹ ریٹ میں اضافہ کرے گا جس کے نتیجے میں ڈالر مضبوط ہوگا اور امریکہ میں بھڑکن کی توقع پر ابھرتی ہوئی منڈیوں سے سرمایہ نکلنے کا جس کا ان کی معیشت پر گہرا اثر ہوگا۔

دوم یہ کہ، تیل کی قیمتیں پورے سال کے دوران اتار چڑھاؤ کا شکار رہیں۔ ڈیٹیوٹی آئی سپاٹ (WTI-Spot) سال کے آغاز پر 35 امریکی ڈالرنی رول سے فروری تک رسد میں جاری بہتات کے سبب 26 امریکی ڈالرنی رول کی سطح تک پہنچ گیا۔ تاہم سال 2016 کے اختتام تک تیل کی قیمتیں میں اوپیک اور نان اوپیک ممالک کے درمیان پیداوار میں جنوری 2017 سے کم از کم چھ ماہ کی مدت کے لیے تقریباً 1.8 ٹریلین بریل ہونے کی پراپتیاں کے باعث، استحکام پیدا ہوا جس کے نتیجے میں ڈیٹیوٹی آئی سپاٹ (WTI-Spot) سال 2016 کے اختتام تک 54 امریکی ڈالرنی رول تک آ گیا۔ تاہم اوپیک اور نان اوپیک ممالک کے درمیان پیداوار کی کمی میں اتفاق کے باوجود امریکی ٹیل ٹیکس کے واپس آنے کے امکانات کے باعث قیمتوں میں مزید اضافہ کا امکان محدود ہے۔

سوم یہ کہ سال 2016 میں برطانیہ کے یورپیونین سے (Brexit) خروج کے حق میں 48 فیصدی نسبت 52 فیصدی اکثریت کا تاریخ ساز فیصلہ کیے جس میں آئی۔ اس کے نتیجے میں برطانوی پاؤنڈ میں ڈالر کے مقابلے میں بڑی سے فرسودگی، کیے جس میں آئی اور مارکیٹس (منڈیاں) برطانیہ کے یورپیونین یونین کی حقیقت کو تسلیم کرنے کے عمل میں مشغول رہیں۔ برطانوی حکومت کے ایگزیکٹو اور قانون سازی سے متعلق معاملات پر مکمل انضباط پر جاری توجہ کے ساتھ برطانیہ کی ریگریٹ (Brexit) کو غموں غم سے بھرپور یورپیونین یونین کی واحد منڈی (مارکیٹ) سے علیحدگی متوقع ہے۔ ریگریٹ (Brexit) کے وقت کے جراب میں بک آف اگلیڈ نے برطانیہ کو آنے والے وقت مشکلات کی پیش بینی کرتے ہوئے اپنے بلی مارک (بیلانی) شرح سو میں 25 بی بی ایس کی کمی ہے۔

چہام یہ کہ یورپ (Eurozone) اور جاپان میں شرح نمو میں کمزوری برقرار رہی ہے۔ اپنی معیشت کی تھجید اور افراط زر میں اضافہ کے لئے ایک کوشش کرتے ہوئے بک آف جاپان نے

جنوری میں بجلی مرچہ حقی شرح سود حصارف کروائی اس دوران یورپیونین سنٹرل بک (ECB) نے بھی اپنے ڈیپازٹ ریٹ میں حقی 0.30 فیصد سے حقی 0.4 فیصد تک کی کمی اور اپنے اثاثوں کی خریداری کے پروگرام کو دسمبر 2017 تک دمت دے دی۔ امریکہ جو ایک سخت مالیاتی راستے پر گامزن ہے جبکہ دیگر ترقی یافتہ مارکیٹس بے حد زرم مالیاتی انضباط کا انتخاب کر رہی ہیں ان کے درمیان اس مالیاتی شرح کا مستقبل میں بھی درمیانی مدت تک جاری رہنے کا امکان ہے۔

اسی اثاثہ میں پاکستان کی معیشت میں سال 2016 میں بھی مثبت اشاروں کی جھلکیاں نظر آتی رہیں۔ مالی سال 2015 میں 4.2 فیصد کی نمو حاصل کرنے بعد ہی ڈی بی مالی سال 2016 (FY2016) میں 4.7 فیصد تک پہنچ گیا اور اس اضافہ کی مالی سال 2017 (FY 2017) میں 5 فیصد تک پہنچنے کی توقع ہے۔ اہم بی بی کا پروجیکٹ تجرڈ ایڈکس (MCB-PMI) بھی دسمبر 2016 کو 64.28 کی سطح تک اضافہ دیکھا کرتے ہوئے اس رجحان کے جاری رہنے کی تصدیق کرتا ہے۔ پاکستان کے شماریات کے ادارہ کی جانب سے دئے گئے اعداد و شمار کے مطابق بیورو کا شعبہ ایک احتمال پیمانہ رفتار سے آگے بڑھ رہا ہے۔ جبکہ بڑے پیمانے پر پیداوار کرنے والے شعبہ کی ترقی کی رفتار مالی سال 2017 کے جولائی تا دسمبر کے عرصہ میں سالانہ بنیاد پر 3.90 فیصد رہی۔ تاہم مثبت مراحل کے باوجود پاکستان کے ہماری شمارہ میں اضافہ ہوا کیونکہ برآمدات میں کمی جبکہ درآمدات میں اضافہ دیکھا گیا۔ پاکستان کی برآمدات میں سالانہ بنیاد پر مالی سال 2017 کے جولائی تا دسمبر کے عرصہ میں 2.3 فی صد کی ہونے کی برآمدات میں اسی مدت کے دوران سالانہ بنیاد پر 6.0 فیصد کا اضافہ ہوا جس کی بدولت پاکستان کا تجارتی شمارہ 10.8 ٹریلین امریکی ڈالرز تک پہنچ گیا۔ اس کے علاوہ بیرون ملک افراد کی تریلیات زرخیز رہی مالی سال 2017 کی جولائی تا دسمبر کی مدت میں سالانہ بنیاد پر 2.37 فیصد کی ساتھ 9.45 ٹریلین امریکی ڈالرز تک رہیں۔ چنانچہ بڑے ہونے تھرتھرتی شمارہ اور ترقی ہونے تریلیات زر کے باعث پاکستان کے کرنٹ اکاؤنٹ پر باہر بھرس سے مجموعی شمارہ مالی سال جولائی تا دسمبر 2017 میں 3.6 ٹریلین امریکی ڈالرز تک پہنچ گیا جو کہ پچھلے سال کی اسی مدت کے مقابلے میں دوگنا ہے۔

ان عوامل کے باوجود امریکی ڈالر اور پاکستانی روپے میں تناسب نسبتاً مستحکم رہا جو سال کے آغاز میں 104.74 اور اختتام تک 104.60 رہا۔ سال 2016 میں پاکستان کے فیڈرل زرم بہانہ کے ذخائر میں بھری دیکھے جس میں آئی اور سٹیٹ بک آف پاکستان کے رجحان 15.9 ٹریلین امریکی ڈالرز سے بڑھ کر دسمبر 2016 تک 18.3 ٹریلین امریکی ڈالرز ہو گئے۔ اس کی بڑی وجہ بابت آئی ایم ایف (IMF) کی چند حقی اقتصادی وصولی 1 ٹریلین امریکی ڈالرز کی مالیت کے سٹاک بانڈز کا اجراء اور چاندی پونڈ بکٹ کی طرف سے بکٹ کی مدد میں لیا گیا۔ پاکستان کے کل زرم بہانہ کے ذخائر دسمبر 2016 تک بڑھتے ہوئے 23.2 ٹریلین امریکی ڈالرز تک پہنچے۔

سٹیٹ بینک آف پاکستان کی جانب سے ایک مطابقتی مالیاتی پالیسی کے اقدام اس سال بھی جاری رہے۔ پالیسی ریٹ میں 25 بی بی ایس کی کمی کے بعد ریٹ کو 5.75 فیصد کی سطح پر رکھنے کے ساتھ ساتھ ایک نئی مالیاتی پالیسی کئی بھی تشکیل دی گئی۔ اس دوران سالانہ بنیاد پر ہی آئی (CPI) افراط

زر کی شرح ۲۱ روپے حادہ کا ۱۹۹۰-۲۰۱۶ میں 3.17 فیصد کی چلی سچ کو چھوٹے ہوئے اکتوبر 2016 تک بلند ہوئے ہوئے 4.21 فیصد تک چاچکی۔ دسمبر 2016 تک سی پی آئی (CPI) افزائزر کی شرح 3.7 فیصد تک تھی۔

منافع اور تقصیر:

31 دسمبر 2016 کو انعام پنے رسال میں عمل اور بعد از گیس منافع اور انکی تقصیر یکساں طرح سے ہے:

منافع عمل از گیس	۳۶,۰۷۵
گیس	۱۴,۱۸۴
منافع بعد از گیس	۲۱,۸۹۱
انکلاسی غیر تقصیر شدہ منافع	۵۰,۷۴۷
مضمین اربپلائز (مضمین پان کی وہ اربپلائز) (خاص از گیس)	۷۸۰
پائیدار اداروں کی از سر نو تخمینے پرائسانی آمدن (خاص از گیس)	۴۹
تقصیر کیلئے دستیاب منافع	۵۱,۵۷۵
تقصیر:	۷۳,۴۸۶
قانونی ریجرو	۲,۱۸۹
حتمی بخش از پوائنڈ @ 4.0 روپے فی حصص۔ دسمبر 2015	۴,۴۵۲
عموری بخش از پوائنڈ @ 4.0 روپے فی حصص۔ مارچ 2016	۴,۴۵۲
عموری بخش از پوائنڈ @ 4.0 روپے فی حصص۔ جن 2016	۴,۴۵۲
عموری بخش از پوائنڈ @ 4.0 روپے فی حصص۔ ستمبر 2016	۴,۴۵۲
کل تقصیر	۱۹,۹۹۷
انکلاسی غیر تقصیر شدہ منافع	۵۳,۴۸۹

ذیاد پنے (حصص کا منافع):

پورا آف ڈائریکٹرز نے 31 دسمبر 2016 کو انعام پنے رسال کیلئے 4.0 روپے فی حصص کے حتمی بخش از پوائنڈ کا اعلان کیا ہے جو کہ شیئر ہولڈرز کو پہلے سے ادا شدہ 12.0۰ روپے فی حصص کے عموری از پوائنڈ کے علاوہ ہے اور اس طرح از پوائنڈ پنے آؤٹ کا تناسب 81.34 فیصد رہا۔ حتمی بخش از پوائنڈ کی تجویز کے از کو متوجہ ہوا تقصیر میں ظاہر نہیں کیا گیا ہے۔

کارروگی کا جائزہ:

ایم ای بی ویک نے 36.07 بلین روپے کا جس از گیس منافع اور 21.89 بلین روپے کا بعد از گیس منافع حاصل کیا ہے۔ ویک کی خاص مارک اپ آمدنی پچھلے سال سے 11.25 فیصد کی کمی کے ساتھ 43.8 بلین روپے رہی۔ اگر اس مارک اپ آمدنی کی مد میں ویک نے 12.97 بلین روپے کی کمی کی رپورٹ کی جس کی بنی ہر قرضہ جات اور سرمایہ کاری پر ریٹرن میں کمی تھی جو شرح سود کی کمی کے متاسب ہے۔

اعترس سے حتمی اخراجات کی مد میں ویک نے پچھلے سال سے 7.42 بلین روپے کی کمی ریکارڈ کی جو کہ کم ہوتی ہوئی شرح سود کے ماحول اور اس سال کے دوران ویک کی زیادہ لاگت کے ذیاد پنے کی حتمی کی حکمت عملی سے مطابقت رکھتی ہے۔

غیر مارک اپ آمدنی کی مد میں ویک نے 16.22 بلین روپے کمائے جس میں نمایاں کردار فیص، کیٹس، کیٹس، کیٹس اور از پوائنڈ سے حاصل شدہ آمدنی کا ہے۔ انکلاسی اخراجات (ماسوائے مضمین فنڈ ریورسل کے) میں پچھلے سال کی نسبت 0.67 فیصد کی کمی کی رہی، کیٹس میں آئی جو کہ ویک کی لاگت میں کمی اور لاگت کو موثر بنانے کے اقدامات کے نفاذ کی پالیسی پر جاری اور انکلاسی مضمین ہے۔ پروڈن (Provision) کی مد میں ویک نے سال 2016 کی آخری سرمایہ میں اپنے غیر فعال قرضوں کو دائر شدہ زیادہ پروڈن ازان کر دیا ہے۔

ویک کے کل ۴۴۱ جات سال 2015 سے 4.72 فیصد کے اضافہ کے ساتھ 1051.81 بلین روپے پر رپورٹ ہوئے۔ انہوں کی ترکیب کا جائزہ واضح کرتا ہو کہ 31 دسمبر 2015 کی نسبت خاص سرمایہ کاری میں 9.77 بلین روپے (-1.73%) کی کمی کی ہوئی جبکہ خاص قرضہ جات میں 43.86 بلین روپے (14.42%) کا اضافہ ہوا۔ ویک کی کووریج (Coverage) اور انکلاسی (Infection) کی شرح تناسب بہتری کے ساتھ بالترتیب 90.82 فیصد اور 5.90 فیصد ہیں۔

دراہات کی مد میں ویک کے ذیاد پنے میں دسمبر 2015 کی نسبت 84.83 بلین روپے (+12.14%) کا اضافہ ہوا ہے۔ ایم ای بی ویک نے ویکٹنڈ انگریزی میں اپنے بلند ترین کرنٹ اکاؤنٹس سٹنگ اکاؤنٹس (CASA) 94.13 فیصد کے تناسب کو خوش اسلوبی سے برقرار رکھا ہے اور دسمبر 2015 کی نسبت کرنٹ اکاؤنٹس میں 16 فیصد اور سٹنگ اکاؤنٹس میں 11 فیصد کا اضافہ ریکارڈ کیا ہے۔ کرنٹ اکاؤنٹس پر مخصوص توجہ کی وجہ سے کرنٹ اکاؤنٹس کا کل ذیاد پنے میں ارتکاز 38 فیصد تک بڑھ گیا ہے۔

سال کی فی حصص آمدنی (EPS) 19.67 روپے رہی جو سال 2015 میں 22.95 روپے تھی۔ دراہات پر ریٹرن (ROA) اور انکلیٹی پر ریٹرن (ROE) بالترتیب 2.13 فیصد اور 18.94 فیصد رہا۔ جبکہ فی حصص بک ویلج 105.97 روپے رہی۔

این آئی بی ویک کا ایم ای بی ویک میں انعام:

ایم ای بی ویک کے پورا آف ڈائریکٹرز کی کٹی نے 7 دسمبر 2016 کو منعقد کیے گئے اپنے اجلاس میں قرار دیا کہ جو جس کے تحت این آئی بی ویک ایچ (NIB) کے ایم ای بی ویک میں انعام کی درآمدت سیم ایم ای بی کے شیئر ہولڈرز کے سامنے سھوری کے لئے پیش کی جائے گی۔ چنانچہ ایم ای بی کے شیئر ہولڈرز نے غیر معمولی عام اجلاس منعقدہ 23 جنوری 2016 کو ویکٹنڈ کنٹریڈیٹس 1962 کی شیئر 48 کے تحت اس انعام کی سیم کو سھور کیا۔ اس انعام کے مطابق جدول کے تناسب (SWAP RATIO) کی بنیاد پر جو کہ این آئی بی ویک (NIB) کے ہر 140.043 عام حصص کے بدلے میں ایم ای بی ویک کا ایک عام حصص ہے، این آئی بی ویک (NIB) کے شیئر ہولڈرز کے حق میں ایم ای بی ویک

ہے۔ ہم اپنی جان نکل میں آمدنی میں متوقع نمو کے لئے اپنی لبرسٹ میں مزید (پروڈکٹس) ایشیا اور خدمات کا اضافہ جاری رکھیں گے۔ ہماری خصوصی توجہ دیکھیں اپنی ڈیجیٹل سروسز کی انضمام کے فروغ پر ہے تاکہ ہرگز بدلنے کاروباری حالات کی خود سے مطابقت رکھ سکیں۔ ہماری پیشہ ورانہ ادارہ پر مشتمل مخلص ہم اپنے معزز صارفین کی خدمت کے لئے ہر امکانی موقع کو استعمال کریں گے۔

فیر چینی کیفیات احوال جو تک کے وسائل، آمدنی اور کارکردگی کو متاثر کر سکتے ہیں:

تمام پیش میں بنیاد اپنی اہمیت میں مختلف شدت اور فیر چینی کیفیات احوال پر منحصر ہوتے ہیں۔ جن میں سے بیشتر کسی بھی کنٹرول (انضباط) سے ماوراء ہیں۔ ایسے اہم عوامل جو تک کے وسائل آمدنی اور کارکردگی پر اثر انداز ہو سکتے ہیں ذیل میں گزرتے ہیں:

ڈسکاؤنٹ ریٹ / مالیاتی پالیسی:

مختلف امدادوں اور ضمانتوں کی بنیاد پر اہلیٹ ویک آف پاکستان مانیٹری (مالیاتی) پالیسی ریٹ کو تبدیل کر سکتا ہے۔ ڈسکاؤنٹ ریٹ میں کمی کے نتیجے میں ویک کی خاص انکرسٹ آمدنی میں کمی اور ویک نتائج میں محفوظ پذیری آسکتی ہے۔

ڈیپازٹ ریٹ / کم از کم ریٹ:

کم از کم ڈیپازٹ ریٹ بڑھنے کے نتیجے میں لاگت میں اضافے کی وجہ سے خاص انکرسٹ مارجن پر دباؤ آسکتا ہے۔ ایسی ترسیم تک کی آمدنی پر منفی اثرات مرتب کر سکتی ہے۔

اگر ملازم:

اگر ملازم پالیسی ریٹ میں تبدیلی کا ایک بنیادی جزو تصور ہوتا ہے۔ اگر ملازم کے کار میں معمولی سا اضافہ بھی مالیاتی پالیسی ریٹ پر مطابقت کے ساتھ اثر انداز ہو سکتا ہے۔ ڈسکاؤنٹ ریٹ میں اضافے کی بدولت ویک زیادہ نرخ کی حال سرمایہ کاری میں رقم اکٹھے کرنے کی صلاحیت کے باعث زیادہ نتائج حاصل کر سکتا ہے۔

سیاسی استحکام اور امن وامان کی صورتحال:

سیاسی استحکام اور امن وامان کی صورتحال پر قابو کسی بھی معاشی ترقی کی اولین ترجیح ہے۔ چاہے ملین 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 کوئی عمل یا سیاسی عدم استحکام معیشت اور معاشی مارکیٹ پر منفی اثرات مرتب کر سکتا ہے جس کے نتیجے میں نتائج میں کمی واقع ہو سکتی ہے۔

کارپوریٹ گورننس:

کارپوریٹ گورننس ریٹ (پریکٹس) میں کسی قسم کا اضافہ تک کے نتائج پر منفی طریقے سے اثر انداز ہو سکتا ہے۔

کرڈیٹ ریسک:

پاکستان کرڈیٹ ریسک ایجنسی (PACRA) نے اپنے نوٹیفیکیشن مورچہ 24 جون 2016 کے ذریعے ویک کی طویل مدتی کرڈیٹ ریسک کو ٹریپ اے (AAA) اور قلیل مدتی کرڈیٹ ریسک کو

کے مجموعی طور پر 73,669,197 ماہانہ حصص جاری کیے جائیں گے تاہم یہ تمام معاملات ضروری اعلیٰ سطحی معیاروں کے حصول سے مشروط ہے۔

اسلامی بینکاری کے آپریشن کی طبعی:

سال کے دوران انکم سی بی ویک لیونگ نے معزز لاہور، ڈیگریٹ کی جانب سے منظور شدہ حکیم کے تحت اپنے اسلامی بینکاری کے آپریشن سے متعلقہ تمام اجازت اور واجبات کو ایم سی بی اسلامی ویک لیونگ (جو ایک مکمل ملکی ذیلی ادارہ ہے) کو منتقل کر دیا گیا ہے۔ ان کی تفصیلی منتقلی انٹرنیشنل کے نوٹ 9.11 میں دی گئی ہے۔

خطرات سے نمٹنے کا احاطہ:

خطرات سے نمٹنے کا احاطہ سالانہ رپورٹ میں طبعی و سے بیان کیا گیا ہے۔

مستقبل کی پیش بینی:

سال 2017 میں داخل ہوتے ہوئے ہم اپنی مقامی معیشت کی پیش بینی کے بارے میں پر امید ہیں۔ اگر ملازم کی شرح کو مجموعی طور پر قابو میں رکھنے کی توقع، کم شرح سود، پاک چین اقتصادی راہداری (CPEC) سے حاصل ہونے والے اثرات کے حصول اور برآمد کنندگان کے لئے حکومت کی طرف سے اعلان شدہ ایک مضبوط معاشی پیکج کی بدولت معاشی سرگرمیوں میں درمیانی مدت میں تیزی دیکھنے میں آسکتی ہے۔ تاہم ایسی مدت میں تیل کی بین الاقوامی قیمتوں میں اضافہ کرنٹ اکاؤنٹ پر مزید دباؤ کا باعث بن سکتا ہے چنانچہ مستقبل میں برآمدات میں اضافہ اور تجارتی اکاؤنٹ میں بہتری ملک کے لیے گزرتے ہیں۔

دیرونی کرنٹ اکاؤنٹ، تجارتی توازن، اندرونی ملک ترسیلات، امن وامان کی صورتحال اور کم انکرسٹ ریٹ کے مسلسل کے ناموافق اثرات کے باوجود ویک سال 2017 میں اپنے ٹیئر ہولڈرز کو بہترین نتائج دینے کے لئے مخلص ہے۔ ہم اپنے معزز ڈھیر ہولڈرز کی توقع پر پورا اترنے کے لئے اپنی برانچوں کے نیٹ ورک کو وسعت دینے کے لئے مستعد ہیں۔ ہم اپنی بین الاقوامی نقل و حرکت کو تقویت دینے کے لئے اپنے کارکنوں کے معیار کو بہتر اپنے ڈیپازٹ میں اضافہ، لاگت کو موثر بنانے کی کھلیک کا نفاذ اور نیا مارک آمدنی کی مدد میں اضافہ کی کوششوں کو جاری رکھیں گے۔ ہم پر ملامت ہیں کہ ان کی معاشی مارکیٹ میں ادارہ چننا کو حاصل کرنا کے مواقع میں تبدیل کریں۔ ہم کم لاگت کے ڈیپازٹس (CASA) کے فروغ پر بہت توجہ دے رہے ہیں تاکہ اپنے نیٹ انکرسٹ مارجن کو بڑھا سکیں۔

قرض کی استطاعت ویک کے کاروبار کی شرک ہے اور ہمیں اس امر کی طرف ملاحظہ کرنی ہے کہ ایسے تمام درست مواقع جو ہمارے ادارے کے مہمکن کردہ خدمات کے دائرہ کار کے اندر موجود ہیں، انکا استعمال کیا جائے۔ ہم اپنی ریٹیل ویک لنگ، کارپوریٹ ویک لنگ، ایس ایم ای (SME) ٹیگ اور زرعی قرضوں کے اجراء کے لئے متحرک اور مخلص رہیں گے۔ ہم کنزیومر (سارف) مارکیٹ میں اپنی استعداد کو مزید گہرا کرنے کے لئے کنزیومر پراڈکٹس سے متعلق قرض کے فروغ پر زیادہ توجہ دے رہے ہیں۔

انفلکشن (INFLATION) کے تناسب میں کمی کو برقرار رکھنا سال 2017 ہدف میں سے ایک

(A1+) سے دن بلیس کی سطح پر برقرار رکھا ہے۔

30- جون 2016 کے آڈٹ شدہ اکاؤنٹس کے مطابق پروویڈنٹ فنڈ اور پینشن فنڈ کی سرمایہ کاری کی قدر بائرنٹیپ 12,320,038 ملین روپے اور 8,065,207 ملین روپے ہے۔

اندرونی انضباط کا بیان:

ڈائریکٹرز کی ترقیتی پروگرام کی تکمیل کو ڈی آف کارپورٹ گورننس کی تعمیل کے بیان میں دی گئی ہے۔ سال کے دوران بورڈ اور انکی کمیٹیوں کے اجلاسوں کی تعداد اور اس میں برڈائریکٹرز کی شرکت کی تکمیل اس سال اندر پورٹ کے کارپورٹ گورننس کے سیکشن میں الگ سے واضح کی گئی ہے۔

انٹرمیڈیہ کی جانب سے نائنٹس رچرچنگ پرائمری اندرونی انضباط (ICFR) اور مجموعی اندرونی انضباط (اعزس کنٹرول) سے متعلق بیان کی بورڈ نوٹی تو تین کرتا ہے۔ انٹرمیڈیہ کا اندرونی انضباط سے متعلق بیان سالانہ رپورٹ میں شامل ہے۔

صیغہ ہولڈنگ کا اعجاز:

کمپنیز آرڈیننس 1984 کی سیکشن 236 اور کوڈ آف کارپورٹ گورننس کی گاڈ (xvi) کے تحت چیک کی 31 دسمبر 2016 کو صیغہ ہولڈنگ کا اعجاز اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

کارپورٹ گورننس کے تحت بیان:

بورڈ آف ڈائریکٹرز اس امر کو یقینی بنانے کے لئے ہر مہم میں کرکٹس ڈی اینڈ ایچ ایچ کیلن آف پاکستان کی جانب سے مبین کردہ کارپورٹ گورننس کے تمام معیار اور شرائط کی مکمل پاسداری ہو۔ ویک نے کارپورٹ گورننس کے بہترین معیار کا اختیار کیا ہے اور ڈائریکٹرز سرست رپورٹ کرتے ہیں کہ:

آؤٹرز:

ویک کے رخصت ہونے والے آؤٹرز سب سے پی ایم جی (KPMG) ڈائریکٹرز ہائی اینڈ کنفی چارٹرز اکاؤنٹنٹس، انے اگلی مدت کے اہل ہونے کے سبب دوبارہ تقرری کی پیشگی ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ آنے والے سالانہ اجلاس میں سب سے پی ایم جی (KPMG) ڈائریکٹرز ہائی اینڈ کنفی چارٹرز اکاؤنٹنٹس کی مالی سال 2017 کے لئے ویک کے قانونی آؤٹرز کی تقرری کی سفارش کرتا ہے۔

- ویک کی انٹرمیڈیہ کی طرف سے تیار کردہ فنانشل اسٹیٹمنٹس انکی صورتحال، کارکردگی، پابندی کے برہنہ (کیٹس فونڈ) اور انکم ٹی میں تبدیلیوں کا واضح اظہار کرتی ہیں۔

- ویک کے اکاؤنٹس کی درست کن ٹیماں تیار کی گئی ہیں۔

صلیہ و حسین:

ایم ای سی پی ویک کے بورڈ آف ڈائریکٹرز حکومت پاکستان، سٹیٹ بینک آف پاکستان، ویک ڈی اینڈ ایچ ڈی اینڈ ایچ کیلن آف پاکستان اور دیگر انضباطی اداروں کی جاری معاونت کے لئے، ویک کے شیئر ہولڈرز اور صارفین کا اگے اصرار کے لئے اور اپنے کارکنوں کی مسلسل لگن اور محنت سے خدمات کے لئے شکریہ ادا کرتے ہیں۔

- فنانشل اسٹیٹمنٹس کی تیار میں پاکستان میں لاگو معیشتی فنانشل رپورٹنگ اسٹیڈی راز پر عمل درآمد کیا گیا ہے اور اس سے کسی بھی اطراف کو مضامنت کے ساتھ سالانہ اکاؤنٹس میں بیان کیا گیا ہے۔

- کارپورٹ گورننس کے بہترین معیار اور ضابطہ عمل سے کوئی قابل ذکر اطراف نہیں کیا گیا ہے۔

منجانب برائے بورڈ آف ڈائریکٹرز:

- بلور اور ویک کے کام جاری رکھنے کی اہلیت میں کسی شک و شبہ کی گنجائش نہیں ہے۔

میاں محمد شہزاد

نائب چیئرمین ایم ای سی پی ویک لاہور

- اندرونی انضباط کا نظام شیڈولڈ ضوابط پر استوار کیا گیا ہے اور سوشل اطاعت اور جانچ کی گئی ہے۔

8 فروری 2017

- ہر سال کا اہم آپریشن اور فنانشل مواد (Data) سالانہ رپورٹ کے سلیک ہولڈرز کے سیکشن میں پیش کیا گیا ہے۔

- قانون میں بگڑے شرائط کی تعمیل میں صیغہ ہولڈنگ کا اعجاز اس سالانہ رپورٹ سے منسلک کیا گیا ہے۔

- کوڈ آف کارپورٹ گورننس کی تعمیل (compliance with CGG) کا بیان سالانہ رپورٹ میں شامل ہے۔

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

Groups' Review

Corporate Finance and International Banking Group

Group was able to achieve an all time high for corporate advances. Loan book growth was maintained in a structured manner but with a lot of pressure on margins. To manage the portfolio on a proactive basis, the group continued to closely monitor concentration of sectors and regions. During the year, a number of strategy papers were issued which included group limit setting for large corporates, review of approved limits, industry reports and Risk Asset Acceptance Criteria (RAAC). This exercise also allowed the group to set macro level view on sectors, identify cross sell opportunities, improve line structuring, 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.

The oil prices downward trend continued till midyear 2016 impacting most commodity prices on global scale, depicting reduced value presentations of trade volumes. Intensified political uncertainty between various countries added further deprivation in global trade and MCB was no exception. However, despite a depressed trade business environment on a global, as well as country level, the group was able to book 17 % increase in foreign export volumes.

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 following awards:

- Best Bank for Corporate Finance & Capital Market Development - First Pakistan Banking Awards;
- Most Innovative Investment Bank for Islamic Finance by Financial Times – First Global Award for Investment Banking;
- Best Microfinance Deal, Pakistan for National Rural Support Program – The Asset Triple A Country Awards.

Home Remittance business managed by Transaction Banking Division (TBD) has achieved several milestones during the year in terms of technology, service and processes. Despite the decline in remittance inflow from several corridors towards Pakistan, the bank managed to generate 9% growth in volumes. TBD also registered a double digit growth in cash management business during the year, with major boost from Telcos and OMCs.

In addition to the aforementioned highlights, other major achievements of group during 2016, included:

- Cross-sell of various consumer products such as auto / home / personal loan for employees of Corporate

Customers.

- Implemented payments through IBFT on Paydirect for Transaction Banking Business Customers.
- Lead Financial Advisor and Arranger, and also the Agent Bank for syndicated project finance facility of PKR 12.7Bn to a Special Purpose Vehicle Company formed by FWO for construction of SWAT Expressway Project.
- Mandated Lead Arranger, and also the Project Monitoring Bank for syndicated Islamic facility of PKR 6.2 bn to develop 49 km long section of National Highway (N-5) between Gaghar Phatak and start of Thatta bypass into a dual carriageway on Develop, Build, Finance, Operate and Transfer (DBFOT) basis.
- Joint Lead Arranger for syndicated term finance facility of PKR 7.0 Bn for Attock Cement Pakistan Limited for setting up new production line of 4,000 tons per day.
- Financial Advisors to Pak Elektron Limited and Tri-pack Films Limited for raising equity by way of rights issue amounting to ~PKR 4bn and PKR 1.1bn respectively.
- Entered into Development Credit Authority ("DCA") loan portfolio guarantee program/facility by United States Agency for International Development /USAID. The facility will cover up to 50% of the Bank credit exposure for principal amount in clean energy projects (such as hydro power plant, wind, solar, or other renewable co-generation projects).

Strategic Acquisition and Investment Division took the lead role in the merger plans of NIB Bank Limited into MCB Bank Limited in year 2016. The deal was made public on December 7, 2016 after approval of Boards of both MCB Bank Limited and NIB Bank Limited. The Scheme of Amalgamation is subject to obtaining all necessary regulatory approvals.

Group is geared up to continue with its growth strategy in 2017, 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.

International Banking Operations

MCB Bank Limited overseas branch network encompasses operations in Sri Lanka, Bahrain and UAE.

Sri Lanka Operations:

The Bank has had a presence in Sri Lanka for more than two decades and has steadily grown over the years and it is now the 3rd largest branch network among foreign banks in the country. The Bank currently operates with 8 branches in different cities i.e. Colombo, Kandy, Batticaloa and Galle.

Groups' Review

MCB in Sri Lanka provides convenient banking services through access to over 3,600 ATMs Island wide, as well as Virtual Banking.

UAE Operations:

MCB Wholesale Banking Branch opened its doors for customers in March 2015 in Dubai, United Arab Emirates – this is in addition to the already existing Representative Office in Dubai. As a hub of international trade UAE was negatively affected by the general slowdown in the world economy. Significant decline in oil prices, fall in real estate investment, and regional public spending cuts dampened business activity in the region.

Bahrain Operations:

MCB has been operating in the Kingdom of Bahrain as an Offshore Banking Unit since 1995. Bahrain operations continue to focus on regional syndicated transactions, bilateral deals and investments.

Assets Rehabilitation Group

During 2016, ARG realized an accumulative recovery of Rs.1.75 Billion as compared to Rs.1.43 Billion in 2015. With this achievement, ARG has not only surpassed its annual target by a wide margin but also recorded 22% growth over the corresponding period. Moreover, ARG has maintained its legacy of recovering over Rs.1.00 Billion for 9th consecutive year and 2nd highest ever recovery after 2014. This remarkable performance translated into a premier recovery yield of 20% p.a. (excluding Consumer Unsecured & Auto Loans) as compared to 17% p.a. during last year, which is unprecedented as compared to its peers. This performance is also noteworthy, especially if we look at the recovery spread on number of cases, which increased by 45% over 2015. More so, with proactive and comprehensive strategy, covering multiple remedial measures, ARG settled a large number of very chronic, complex/clean and protracted defaults in 2016, where bank's position was extremely compromised and recovery efforts have had been frustrated for the past many years.

ARG's above achievement is all the more laudable, considering that it was achieved against all odds i.e. snail paced judicial system and poor repayment capacity of the defaulters due to non-conducive business environment. Moreover, it is pertinent to mention that the Group has witnessed an extensive improvement in compliance to Internal Controls during the recent past. Besides this, Group has confined each & every process & remedial initiative under an appropriate policy framework. ARG's performance, of course, is a result of Team Work, Trust in Allah, Unity of Purpose and Modesty of Intent as well as untiring efforts of the remedial teams across the Group.

The rising level of NPLs in the banking sector is usually a precursor of lingering problems in the financial landscape of a country. According to the latest data released by SBP, NPLs of the financial sector posted an increase of over Rs.25 Billion during first nine months of the year 2016. With this surge, cumulative NPLs of the financial sector reached Rs.646.23 Billion as on 30-Sep-16 from Rs.620.45 Billion at the end of December 2015. As such, the year 2017 holds more challenges for the banking sector in the context of remedial management and recovery from NPLs due to depressed economic activity, particularly in the textile sector, a concomitant decline in exports, lack of political stability, low investment from foreign sources and refund claims still withheld by FBR. Therefore, Assets Rehabilitation Function will continue to perform a pivotal role during 2017 and ARG Team is already geared up to mark 2017 another banner year.

Consumer Banking Group

As part of bank's strategy and seeing the positive outlook on the consumer segment the bank has decided to reconstitute the Consumer banking Group. This group will be focusing on the right mix of products and services for consumers to maximize lending & fee based revenue streams which will be pursued through Consumer Lending & Wealth Management functions. A number of product initiatives have been taken which will be beneficial for the growth of this segment and going forward more initiatives are in pipeline to strengthen this Group.

With markup rates in the markets having declined, building a healthy consumer book has assumed greater strategic importance as these facilities offer the Bank a higher yield. Improved policies and processes coupled with careful focus on selected customer segments resulted in achieving high growth in 2016.

A number of product initiatives taken under consumer lending function resulted in significant sales increase of consumer lending products in 2016. Credit cards spend increased by 17% and Auto Loans booking increased by 21% during the current year. Besides increase in Auto Loan numbers, Net Financed Amount (NFA) per customer also increased by focusing on higher-value vehicles. The year 2016 also saw the revival of Home Loans; with the Bank reopening this product in selected cities, a tremendous increase of 110% was witnessed in disbursement units under Mortgage loans. 2016 has been a remarkable year in terms of numbers for Collections as well, whereby Gross Credit Loss (GCL) numbers have shown 46% improvement as compared to last year.

Bancassurance premium was highest-ever beating previous best of 2015 and continued its rapid pace of growth by booking new premium of PKR 1.7 billion in 2016. Although this year Banks are facing a slowdown due to the unfavorable

Groups' Review

interest-rate environment, still Investment Services managed to bag the sale of around 7 billion.

Retail Banking Group

Despite challenging circumstances, Retail Banking continued to make steady progress in growing its deposits base in 2016. Contribution of Retail Banking in total deposit of the bank was 92.3% in 2016. CASA portfolio of the group further improved during 2016 reaching 94.9% (December 2015: 94.2%) of total deposits, evidencing retail bank's focus on soliciting low cost deposits.

The management placed special emphasis on managing operational risks and this was reflected in significant improvement in internal audit ratings. Responding to customer needs, MCB ATMs also recorded higher uptimes throughout the year despite law & order situation and energy crisis in the country.

In 2016, keeping in view customer needs and market offerings, Retail Banking Group introduced various new innovative products to cater the financial requirements of the customers. Introduction of SME Card (the first of its kind) & a dedicated full fledged Ladies Account made MCB Bank pioneer in this specific segment. Besides, Retail Banking Group also introduced MCB Smart Business Account (refined version of business account) catering to the needs of lower to middle range businessman. New product launches primarily enhanced the current account menu of the group.

Introduction of a dedicated Institutional Sales Unit in Retail Banking Group also helped in posting better numbers in 2016. The function helped in generating good institutional leads for deposit growth and cross-sell generation. One of the biggest achievements of Retail Banking Group in 2016 was once again a strong performance and success during Hajj campaign. With dedicated and focused efforts across the network, MCB continued to attract & cater a huge volume of Hajj applications in the industry.

Despite tough conditions in Northern side coupled with tight rice and sugar export scenario which impacted the trade volumes, Retail Banking Group managed to generate good commercial Trade volume amounting to PKR 227 Billion in 2016 due to a focused strategy which also enabled to increase the lending portfolio during 2016.

Priorities in 2017

- Continued focus on growth of core deposits & Cross Sell through Retailization of our sales approach

- Inter businesses synergy to exploit institutional sales opportunities
- Strive for shifting of transactions, interactions & acquisitions to low cost distribution / transactional channels
- Improvement in customer service
- Growth in quality lending & trade businesses
- Optimization of bank's network
- Achieve further excellence in operational controls

Capital Market

The year 2016 witnessed phenomenal growth in the equity market on account of MSCI's decision to include Pakistan in the Emerging Market Index during 2017, sector specific growth on the back of CPEC and improving security situation due to the successful Zarb-e-Azb operation. It has also been a stellar year for Capital Markets Division as it posted the highest ever profit in the bank's history and profit to employee ratio continues to remain the highest in the bank. Our performance is attributed to an outstanding team effort in researching and identifying investment opportunities and by continuously rebalancing our portfolio. Our investments in cement, steel and auto sector enjoyed impressive rallies on account of improving macroeconomic environment and strong fundamental growth. We will maintain our effort to stay on top of all national and international economic developments, while remaining flexible in our management of the Bank's portfolio. Going forward it is our goal to maximize return through active/passive investing strategies and carefully weighing risk against return objectives.

Treasury and FX Group

In the year 2016, Treasury remained a major contributor to both the markup and non-markup revenues of the bank. Treasury posted profit growth for a 6th consecutive year, registering another high water-mark with a new profit record. This was way above its performance targets for the year.

The low interest rate environment remained a major challenge for the yield enhancement opportunities as the Discount and Policy rates were further cut by 25 bps during the year. Treasury through its top-notch forward looking research capacity, timely and accurately anticipated the unraveling of this interest rate phenomenon. It optimized the apparently conflicting twin considerations of maintaining its recurring mark-up income as well as protecting its marked-to-market gains. Resultantly, Duration of the portfolio was reduced. Improving primary dealer ranking was another feather in the cap. The interbank desks (both Money-Market and FX) maintained their status as top market makers and ensured that MCB remained the choice bank for its clients and its counter-parts in the market.

Groups' Review

Treasury consolidated its derivatives business by offering a full suite of derivative products to our suitable client base. Our expertise in this highly technical area gives us the edge to service our clients to be at par with the developed world in terms of hedging available to manage their interest rate and FX exposures. All this was made possible through continuous enhancement of our capabilities in the area of derivatives. We have applied to the State Bank of Pakistan (SBP) to be one of the Authorized Derivative Dealer license holders in order to provide more efficient pricing of PKR derivative products.

2016 marked the first full year of MCB Economica, a bi-monthly newsletter that is published by the Research Desk at MCB Treasury for our valued customers. The newsletter highlights some of the main trends in the global financial landscape across the globe with particular emphasis on the United States, Japan, Great Britain and the Euro-zone. On the domestic side, Pakistan is covered in extensive detail with views on the economy, inflation, interest rates and the foreign exchange market. The focus of the newsletter is not only to inform and educate the audience, but provide predictive analysis of what might transpire in the global financial markets including significant triggers that could drive volatility in the coming months. Derivatives Desk provides product and pricing updates to potential derivative users through the newsletter enabling them to ascertain if the hedging products provided by us could be applied to their exposures for further discussions.

In addition to the newsletters, the Research Desk continued its bi-monthly release of the MCB Purchasing Managers Index (PMI). MCB PMI is one of the few private-label leading economic indicators available to gauge the strength of Pakistan's economy, in particular its manufacturing sector. The index is being increasingly followed by local and international financial analysts, economists and rating agencies to assess Pakistan's economy receiving widespread coverage in the financial press. Emphasizing the Bank's customer-focused approach, this year the Treasury conducted various seminars; in Islamabad and Multan on the current global economic turmoil and how our customers can hedge themselves against the uncertainty created by that turmoil. Similarly, seminars were conducted in Lahore and Karachi to educate our customers about the implications of Brexit for UK and the Euro-zone. In the same vein, we held coffee-table face-to-face exclusive discussions for our top retail and corporate customers on the global currency markets. 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 in our business.

Information Technology Group

In this era, the role of Information Technology in the financial

sector has emerged as a core to the business and proven itself a back bone to the operations essentially in the Banking industry. With digitizing the customer services, Banks are now epitome to the changing world with modern technologies. However, the challenging part of ever changing world of 'Technology' is to neutralizing the impact of obsolescence and advancements at strategic level without any compromise on the availability, security and reliability of the 'Information'. In MCB, the management and the Board is committed to enrich the Information Technology infrastructure in the Bank at enterprise level which is glaringly evident from the investments the Bank has made in recent past. The tone at the top and the commitments at all levels to the bottom are concentrated with the delivery of services to the customers at their door step. The approach comprises with pioneering one of the largest footprint of online branches with enterprise-wide pure centralization through a centralized core and associated banking systems, far expanding network of ATMs and POSs, Robust Internet Banking & Mobile Banking platforms, highly efficient & scalable Contact Center for customer services, one of its kind state-of-the-art Enterprise Data Network with leading edge in the Banking industry, establishing International footprint, up-the-curve solutions to combat money laundering & other financial crimes and frauds, pioneer in introducing the mobile wallets at Branchless Banking, interoperability with other financial entities and much more solutions to facilitate the customers irrespective of his/her location.. With this continuing trend on achievements in the recent past paved the way for 2017 roadmap in embossing the technology platform for the banking business needs.

The Information Technology Group (ITG) at MCB comprised with a team of sound professionals having a proven track record of delivering and managing the IT infrastructure at a large size and scale. The components of the organizational structure of ITG are included with IT Enterprise Infrastructure, IT Operations, IT Software Solutions, IT Service Management, Information Security, Business Technology & Project Management, IT Procurement and IT Financial Services with a focus to un-turn every stone to explore the opportunities to service the customers both internal and the external 24x7.

Apart from these major deliverables, IT Group has streamlined existing operations and record uptime of core banking and affiliated applications. The team remained committed and played a vital role in ensuring the maximum uptimes (double-nines) throughout the year despite operational issues that were beyond Bank's control. 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 the IT Group, new benchmark was touched to comply with the recommendations as highlighted against the audit observations raised by external audit, internal audit and the

Groups' Review

SBP. The IT Group has delivered the best through untiring efforts to ensure maximum pay back for Bank's investment in Information Technology.

IT Group had also closely monitored Bank wide projects status and had driven the technology function with a motive to accomplish the assigned tasks within the agreed timelines. Close coordination and liaison with working groups is a key factor in above achievements. Vendor relations were tuned to achieve a maximum cost benefit advantage.

Looking forward to 2017, IT Group is more committed towards:

- i) Payment Card Industry : Compliance : PCI DSS Certification
- ii) Data Domain & SAN Switches & VMware Technical Refresh / Upgrade
- iii) Unification of Branch network
- iv) SIEM Solution - Security Controls Monitoring
- v) Email for Everyone
- vi) RTGS STP enhancements like auto charges posting, enhancing product suite and Auto reconciliation of various stages etc.
- vii) Call Center Upgrade
- viii) MCB Digital Shops

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

Digital Banking

Fostering under the legacy of MCB Bank, Digital Banking wing has grown exponentially. The Bank, over years, having successfully developed a comprehensive, secure and purpose built payment ecosystem, which is trusted by both individual and corporate consumers. Year 2016 concluded with an impressive top line of PKR 1.8 Billion with substantial increase in user base. These exceptional results were achieved due to our focused strategy to expand our offering and delivery to customer while being cognizant of prevailing risks.

Starting with the MCB Debit Cards business, a number of milestones were achieved including but not limited to highest card issuance, enablement of e-commerce/ internet transactions, record card spend of 5.4 Billion fuelled by various discount campaigns and automation initiatives towards operations/ reconciliation. Our focus has been to maximize the value proposition of our channels where MCB Mobile has made strides and more than 150K

downloads have been clocked on Google's PlayStore and Apple's App store, double digit growth in transactional count/volume apart from addition of 16 new billers on the service menu. To safeguard the customers, the service was further strengthened with the implementation of dynamic validation checks like One-time-password (OTP). MCB Internet Banking which is a state-of-the-art online banking system was further enriched with the addition of new billers, increased flexibility and specific new features for corporate consumers. It also continued to grow with 22% increase in transaction count and 34% increase in transaction volume. MCB ATM Network; grew to become one of the largest network comprising of more than 1190+ ATMs including 100+ Offsite locations. With strong monitoring and untiring efforts, the network clocked the highest up-time in history (96%) along with taking commendable measures to enhance security of the machines.

Another essential channel completing the Digital Banking equation is the Merchant Acquiring Business. Its Point of Sale (POS) terminals are the key elements in ensuring MCB Bank's presence in simplifying payments. Like the previous year, the Acquiring Business continued to enter new hallways of digital payments. MCB Bank signed Mobilink as its Second Payment Facilitator for e-Commerce payments making MCB Bank a leader in this space as well. The Branchless Banking arena (MCB Lite) also showed considerable strides by venturing into institutional sales opening more than 10K Mobile Wallets.

Business continued to educate its customers on cybercrimes and preventions through various means like newspaper, sms, email, etc. apart from taking measures to implement enhanced controls over digital channels. The Annual Audit of technology systems and management achieved Rating-A assuring good governance at all times.

Priorities in 2017

- Rewamp Call Center.
- Open Digital lounges.
- Introduce Pakistan's first local Card scheme 'Pay-Pak'.
- Introduce biometric technology for faster/secure services.

Operations Group

The core focus areas for the Operations Group remained quality customer service, operational efficiency & excellence, and strengthened controls & compliance environment within the Bank.

Groups' Review

The Group's internal customers continued to benefit from the outstanding transaction processing expertise in the areas of Treasury & Capital Markets, Trade Finance, Corporate, Consumer and Digital Banking. Our teams successfully handled increased business volumes to support aggressive growth targets whilst contributing towards decreasing costs and improving process efficiency. It effectively supported Bank's recently expanded footprint in Dubai through handling of its trade and treasury operations from Pakistan.

Desired functional support was ensured across the Bank in developing and strengthening business processes especially in the backdrop of extensive automation, changes in regulations and enhancement of product range. Migration of consumer assets portfolio to core banking system, revamping of account opening form, preparation of Bank wide record retention schedules, activation of CCDM over Bank's ATM service channel and operational support towards launch of MCB Asaan Account & SME Card were just a few projects for 2016 worth mentioning here. Additionally, the Group successfully implemented first phase of SBP's Currency Management Strategy wherein all banks were required to dispense machine authenticated specific denomination currency notes in major cities. This initiative will eventually improve circulation of good quality bank notes in the country. Our Treasury Operations team has further enabled all MCB branches with Real time Gross Settlement straight through processing (RTGS-STP) capability. This initiative was implemented way beyond the regulatory timelines demonstrating Bank's seriousness towards compliance initiatives. The RTGS-STP application suite was further augmented by integration of PRI/home remittances application.

Centralization has been one of the key initiatives of the Bank in the past few years. It not only ensured standardized transaction processing but significantly contributed towards better risk management through effective internal controls structure. During the year, system parameterization of treasury and core banking applications of Dubai operations was centralized. Likewise automation & centralization was achieved for NIFT based outward clearing and its returns. Accessibility of general ledger for the Bank was also restricted after a thorough need assessment in order to minimize errors and misuse. The Group continued to maintain a central repository of Bank wide internal controls framework (COSO) documentation by incorporating changes in regulations, policies, processes and systems.

The Group improved its capability for efficient provisioning of logistics and infrastructural support while maintaining desired quality of services. The power source was improved for MCB Tower in Karachi, while the centralized control was established over alternate power source of branches through centralized management of fuel and maintenance suppliers.

These initiatives not only contributed towards reduction in costs, it has relieved the branch management to divert their focus from non-productive issues to generating core banking business and cross sell growth.

Business Continuity Plan

Business Continuity Management (BCM) is a process that identifies risk, threats and vulnerabilities that could impact Bank's continued operations. BCM provides a framework for building organizational resilience and the capability for an effective response to internal and external threats.

Organizations can experience severe consequences when mission critical services and products cannot be delivered to its customers and stakeholders; however, MCB Bank by following BCM tools have not only ensured the maintenance and recovery of its operations but also strives continuously to deliver its products and services thus demonstrating a proactive approach.

To remain on top of the ongoing unrest situations in the country and to mitigate the known risks within tolerable range, the Board of Directors periodically reviews the Business Continuity Plan of the Bank to ensure that all relevant remedial actions are in place to handle any untoward situation.

Compliance and Controls Group

Compliance & Controls Group (CCG) is established to enforce a well-integrated and robust compliance framework to identify, assess, advice on, monitor and report on the Bank's compliance risks. These include legal or regulatory sanctions, financial loss, or loss to reputation of the Bank as a result of its failure to comply with all 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's 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 liaise with SBP Inspection Team and internal stakeholders during regular as well as special/thematic inspections. Further, ensures cordial working relationship with SBP, Law Enforcement Agencies and other regulatory/external bodies.

Groups' Review

It also spearheads 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 the respective regulators of the overseas operations.

During 2016, various milestones were achieved especially implementation of FCCM in Sri Lanka & Bahrain, acquisition of PEP database file, scanning of incoming SWIFT messages, completion of bank-wide data screening and conducted AML/CFT training sessions on pan Pakistan basis were achieved to further strengthen the monitoring capacity of Group. Moreover, an exercise on internal assessment of Top 100 depositors was completed as per directions of regulator. Furthermore, Fraud Risk Assessment exercise was conducted first time in the bank to strengthen fraud risk management regime across the bank. The objective of this exercise was to analyze and learn from past fraud incidents in the bank with the view to improve the processes, systems & controls essential for prevention / reduction of fraud episodes in future. Going forward, we intend to make this exercise more objective and focused.

Service Quality Division was also made part of the Compliance & Controls Group during the year 2016. 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 by Service Quality Division 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.

A new dimension of training 'Service with a Smile' has been introduced to ensure that all customer dealing staff is equipped with appropriate knowledge of service etiquettes and protocols in order to deliver high quality customer experience.

Service Quality Division also maintains a Reward Program to recognize staff in all areas for their contribution towards service excellence.

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.

Complaint 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, working in collaboration with all segments; is responsible for acknowledging, investigating, tracking, escalating and resolving customer complaints within a specified turnaround time (TAT) of 3 working days. 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
- Walk-in Centers
- Walk-in Customers (CRU)
- Fax
- Banking Mohtasib Secretariat
- State Bank of Pakistan
- Management Committee (MANCOM)

Audit and Risk Assets 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 the strength of the entity's control environment. Audit & Risk Assets Review (Audit & RAR) Group is responsible for the internal audit function within MCB Bank Limited. The Group conducts audits/reviews of various areas of the Bank under the globally recognized Risk Based Auditing Methodology in line with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (USA).

Groups' Review

Audit & RAR Group continued to perform its role effectively on both the assurance and consultative fronts during 2016. It played significant role in evaluating the efficacy of Bank's control systems and contributing towards ongoing effectiveness by enhancing visibility of the management and the Board on the risk management and internal control matters of the Bank. The Group also highlighted areas for improvement and worked closely with the management through regular engagement as well as consistent follow-up, monitoring and guidance towards resolution of significant issues. Staff development remained a key focus area for the Group. An enhanced training program in line with international best practices was implemented during the year that enabled the Internal Audit team to perform its duties objectively as well as with professional due care.

With a commitment to play an effective role in the Bank's endeavor for continuous improvement, Audit & RAR Group will persevere to strengthen its resources and Framework by undertaking numerous strategic initiatives in 2017 and beyond.

Legal Affairs Group

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

Legal Affairs Group comprises of two departments.

- Legal Affairs Department - Advisory
- Litigation Department

Legal Affairs Department - Advisory

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

At the helms of the affairs, diversity of work is exhaustive

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

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

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

By standardizing different banking documents, the Legal Affairs Group has helped to introduce cemetery of documentation at all levels. Standardized templates have been uploaded on MCB Portal. Further, newly updated templates are in process of being uploaded and have been shared /exchanged with relevant business for implementation.

During 2016, around 19,000 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 as per approved policy; Assigns cases in consultation and recommendation of relevant business/Group; Negotiates Fee in assigned cases in consultation and recommendation of relevant business/Group; Evaluate lawyers and their performance in cases assigned to them on quarterly basis on the basis of feedback received from the businesses and presents the same to LRC; Follow up and Updates centralized data of court cases on the basis of feedback received through court coordinators of respective businesses/Groups; Maintain centralized MIS of Litigation data and disseminates information in advance regarding fixation of cases to relevant business groups on daily basis.

Groups' Review

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

Following initiatives were taken by the Litigation Department during 2016:

- Compilation of Pan Pakistan Litigation Data & centralized payment of litigation expenses, since accomplished in 2014,
- Development of Shadow Filing System which is in testing / bugs removing phase and in the process of being uploaded by ITG. Once the same will be fully functional, it would enable litigation department to provide real time updates of court cases.
- As many as four meetings of Litigation Review Committee (LRC) were held in the year 2016 and during the said meetings, 23 lawyers were enlisted on Bank's Approved panel, whereas 3 panel lawyers were delisted.
- The performance of 230 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 petition pending for 3 years and more & way forward was also devised for expeditious disposal of these execution petitions.
- As many as eight hundred & twenty cases (including recovery suits) were filed during 2016 and around one thousand & eighty five cases were disposed of/decreed through appointed lawyers and thereby contributed in Bank's NPLs recovery efforts.
- During 2016, the group remained cost efficient and provided support to relevant groups including ARG, RBG (Commercial & Consumer), HRMG, WBG etc.

To strengthen itself, MCB Legal Affairs Group has shown significant growth in 2016 and is committed to perform up the curve in future to help the Bank to achieve better results.

Human Resource

HR as a strategic partner of the Business Groups aims at providing the best talent in the Market for helping them in achieving their defined 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.

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 forerunner in the industry by providing job opportunities to fresh graduates as well.

Engaging with employees across the Board and sharing the Bank's vision and key challenges is a vital measure in harnessing 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.

More than 15,000 participants were trained for more than 31000 man days in 2016. Our emphasis was on operations training, MCB products, compliance & AML related training and batch trainings for TSO and GBO batches. More than 600 RBG Branch Managers and Operations managers were Certified as Branch Managers & Operations Managers respectively in CBM & CBOM certification programs.

We have also started working to improve the Training Needs Analysis process by analyzing performance gaps in KPIs and prioritizing training needs accordingly. Future plans include revenue generation through training activities and broadening our in house training activities to reach economies of scale.

During the year HR successfully implemented Organization Structure policy to ensure alignment of job roles with needs. 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 management to prioritize its objectives by adapting the KPIs accordingly.

MCB is an equal opportunity employer who 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 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 ensure that these factors are not used for discriminating against employees that have nothing to do with being a qualified job applicant or employee. We place value on

Groups' Review

building teams based on their professional skills and abilities.

Security

The Security Department is assigned the vital task of providing a secure working environment to the branches / offices of MCB Bank Limited. Year 2016 commenced with the Annual Security Conference held in March 2016. The event helped in improving the professional knowledge of participants and provided insights into how to build an efficient security team. The year remained very challenging and hectic especially in the Province of Punjab, where the Police were actively ensuring compliance of 'Security of Vulnerable Establishments Ordinance 2015'. With the guidance and full support of the management, the security staff managed the situation tactfully and efficiently and ensured uninterrupted business.

The security team successfully completed the ongoing installation of Burglary Alarm Systems project in remaining branches of Multan, Bahawalpur, Abbottabad and Jhelum Circles. This brought the total number of branches outfitted with the alarm system to 900 out of the Bank's network of over 1200 branches. Successful sessions for training of branch staff on the operation / trouble shooting of the Burglary Alarm System were conducted by the Vendor's Technical Teams in the selected circles. Moreover the Security Staff conducted training sessions on branch security for the Qualification Cadres held in the Learning and Development Centres for Branch Operation Managers, Branch Managers and other newly hired staff. Regional Security Officers and Security Officers conducted visits of in / out station branches according to the annual schedule which helped in maintaining required standards of branch security.

About 40 incidents of bank robbery took place in the industry during the year but due to MCB Bank's stringent security measures only one such incident occurred in our branch. All three robbers involved in the sole incident were apprehended and the looted amount was recovered.

Marketing Division

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. As part of the Bank's upcoming 70th Anniversary celebrations, MCB Bank took the initiative to revitalize its branch branding through a major visual and quality upgrade of its branch signage that is currently underway to be completed in the year. In 2016, the Marketing 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.

Two well appreciated campaigns were launched; namely MCB Burqraftaar during Ramadan, a campaign which succeeded in increasing foreign remittances to Pakistan, and MCB Smart Business Account, that helped reach out and enhance the Bank's deposit base. 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

The Bank incorporated MCB Islamic Bank Limited (MCBIBL), a wholly owned subsidiary, with an authorized share capital of Rs.15 billion in 2014 and has injected equity of Rs.10 billion during 2015. SBP has granted "Certificate of commencement of Banking Business" to MIB effective September 14, 2015 to carry out the business of an Islamic commercial Bank in accordance and in conformity with the principles of Islamic Shari'ah and regulations and guidelines of the SBP.

During 2016, MCBIBL focuses on strengthening and expanding its business operations. The book size of MCBIBL has shown significant growth in liability and assets portfolio as well as diversification of its portfolio. MCBIBL also showed a healthy after tax profit of Rs.80 million during the year. In view of its healthy growth, we are expecting MCBIBL to be one of the fastest growing Islamic Bank of Pakistan.

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").

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

Director's Name	Board of Directors (BoD)		Board's Sub-Committees																
			AC		BSDC		RM&PRC		HR&RC		PP&CA		ITC		CRMC		WoWC		
	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	Member	Attendance	
Mian Mohammad Mansha	◆	6	-	-	-	-	-	-	◆	4	-	-	-	-	-	-	-	-	-
Mr. S. M. Muneer	◆	3	-	-	◆	1	-	-	-	-	◆	4	-	-	◆	1	-	-	-
Mr. Tariq Rafi [2]	◆	5	◆	Resigned from AC	-	-	-	-	-	-	-	-	-	-	-	-	◆	1	-
Mr. Shahzad Saleem	◆	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Sarmad Amin [1]	◆	2	-	-	-	-	◆	1	-	-	◆	Resigned	-	-	◆	Resigned	-	-	-
Mr. Raza Mansha [3]	◆	1	-	-	◆	1	-	-	◆	1	-	-	◆	Resigned	-	-	-	-	-
Mian Umer Mansha	◆	6	-	-	◆	4	◆	4	-	-	◆	4	-	-	-	-	-	◆	1
Mr. Aftab Ahmad Khan [5]	◆	6	◆	5	-	-	-	-	-	-	-	-	◆	3	-	-	◆	1	-
Mr. Ahmad Alman Aslam	◆	6	◆	5	◆	4	-	-	◆	4	-	-	◆	4	◆	2	-	-	-
Mr. Muhammad Ali Zeb	◆	6	◆	3	-	-	◆	4	-	-	-	-	-	-	-	-	-	-	-
Mrs. Iqraa Hassan Mansha	◆	2	-	-	-	-	-	-	◆	2	◆	1	-	-	-	-	-	-	-
Dato' Seri Ismail Shahudin [4]	◆	0	◆	Passed away	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Mohd Suhail Amar Suresh	◆	6	-	-	◆	4	◆	3	-	-	-	-	-	-	-	-	-	-	-
Mr. Irfan Ahmed Hashmi	◆	2	-	-	◆	1	◆	1	-	-	-	-	◆	3	◆	1	-	-	-
Mr. Nor Hizam Bin Hashim	◆	1	◆	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Samir Iqbal Saigol	◆	-	◆	-	-	-	-	-	-	-	-	-	◆	-	-	-	◆	-	-
Mr. Imran Maqbool (President & CEO)	◆	6	-	-	◆	4	◆	4	◆	3	◆	4	◆	4	◆	2	-	-	-

Corporate Governance

1. Mr. Sarmad Amin resigned from BoD w.e.f. March 15, 2016 and Mr. Irfan Ahmed Hashmi replaced him w.e.f July 14, 2016.
2. Mr. Tariq Rafi Resigned from AC w.e.f. April 14, 2016 and Mr. Muhammad Ali Zeb replaced him as member of AC w.e.f April 28, 2016.
3. Mr. Raza Mansha resigned from BoD w.e.f. May 03, 2016 and Mrs. Iqraa Hassan Mansha replaced him.
4. Dato' Seri Ismail bin Shahudin passed away on July 30, 2016 and Mr. Nor Hizam bin Hashim replaced him w.e.f September 06, 2016.
5. Mr. Aftab Ahmad Khan resigned from BoD w.e.f. December 29, 2016 and Mr. Samir Iqbal Saigol replaced him.

Casual Vacancies on to Board of Directors:

The following casual vacancies occurred during the year 2016 on the Board of Directors and were subsequently filled up by the directors as hereunder;

Sr. No	Name of Director	Date of occurrence of casual vacancy	Casual vacancy filled with	Date of filling the casual vacancy	Days taken to fill the casual vacancy
1	Mr. Sarmad Amin	March 15, 2016	Mr. Irfan Ahmed Hashmi	July 14, 2016	121*
2	Mian Raza Mansha	May 03, 2016	Mrs. Iqraa Hassan Mansha	May 03, 2016	-
3	Dato' Seri Ismail Shahudin	July 30, 2016	Mr. Nor Hizam Bin Hashim	September 06, 2016	38
4	Mr. Aftab Ahmad Khan	December 29, 2016	Mr. Samir Iqbal Saigol	December 29, 2016	-

*(SECP has granted relaxation from Clause 5.19.3 of the Rule Book of PSX vide its letter No. SMD/SE/2(10)/2002 dated June 28, 2016 for filling up the causal vacancy within 90 days).

The Board of Directors placed on record its sincere appreciation to the outgoing Directors Mr. Sarmad Amin, Mian Raza Mansha, Dato' Seri Ismail bin Shahudin (Late) and Mr. Aftab Ahmad Khan for their invaluable contribution and guidance during their tenure as members of the Board. The Board of Directors also welcomed Mrs. Iqraa Hassan Mansha, Mr. Irfan Ahmed Hashmi, Mr. Nor Hizam Bin Hashim and Mr. Samir Iqbal Saigol to the Board.

Detail of Board Meetings held outside Pakistan:

During the year 2016, all the Board of Directors meetings were held in Pakistan.

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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. Nor Hizam bin Hashim
4. Mr. Samir Iqbal Saigol

Terms of Reference:

The main terms of reference of the Committee are determining appropriate measures to safeguard the Bank's assets, reviewing quarterly, half-yearly and annual financial statements of the Bank, prior to their approval by the Board of Directors, focusing on major judgmental areas; significant adjustments resulting from the audit; the going concern assumption; any changes in accounting policies and practices; compliance with applicable accounting standards; compliance with listing regulations and other statutory and regulatory requirements; and significant related party transactions, reviewing preliminary announcements of results prior to publication, facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary), reviewing management letter issued by external auditors and management's response thereto, ensuring coordination between the internal and external auditors of the Bank, making recommendation to the Board of Directors the appointment of external auditors, their removal, audit fees, the provision by the external auditors of any service to the Bank in addition

to audit of its financial statements, reviewing the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Bank, recommendations for appointment, remuneration and terms and conditions of employment of the Group Head-Audit & RAR to the Board of Directors. Performance appraisal 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 of the Bank's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports, instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body, determining compliance with relevant statutory requirements, monitoring compliance with the best practices of corporate governance and identification of significant violations thereof and considering any other issue or matter as may be assigned by the Board of Directors.

Business Strategy and Development Committee

Meetings held: 4

Composition

1. Mian 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

Terms of Reference:

The main terms of reference of the Committee are reviewing and developing vision and mission statements and core values for MCB both from long and short term perspective, developing Bank's initiatives relating to business philosophy and acquisition, strategic investment and divestment, capital raising exercise,

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strategic alliances and brand management, reviewing important matters with respect to policy initiatives; business organization; overseeing expansion plans and contingency planning relating to business realignment, reviewing and devising medium and long term business plans and policies based on strategy, future direction and milestones set by the Board, monitoring the progress of the key strategy initiatives undertaken by the Bank and undertake such other tasks as may be delegated by the Board from time to time.

Human Resource and Remuneration Committee

Meetings held: 4

Composition

1. Mian Mohammad Mansha - Chairman
2. 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 and recommended to the Board, in order to attract and retain highly qualified employees, the latest entry-level procedures are put in place for recruitment of entrants, the existing training facilities for the new entrants as well as for up-gradation of skill level of all employees are reviewed and revised, proper classification and reclassification of employees' pay scales, job description, and methods of their periodical review are put in place, an objective criterion for work appraisal/performance is developed & linked with the annual merit increase, a review is undertaken of the organizational structure to bring it in line with business strategy & development plan and approve an organizational set up or any revision in the existing set up taking into account the recommendations of the President, an in-house human resource expertise is developed. In case there is inadequacy of in-house expertise, the Committee is empowered to hire Consultant(s), as appropriate, to undertake market analysis of above policies with a view to developing MCB policies, effective management information system is developed to monitor the implementation of policies as approved by the Board, the selection, evaluation, compensation (including retirement

benefits) and succession planning of the CEO and recommending 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 recommending 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:

The main tasks of the committee are reviewing the strategies relating to Bank's risk and policy framework for management of credit, market and operational risks, in light of internal developments, guidelines issued by the regulators and international best practices, on as and when required basis, monitoring of Bank's progress towards Basel-II implementation on as and when required basis, but at least on half yearly basis, reviewing and recommending to Board Bank's risk appetite statement, as and when required and reviewing various reports pertaining to the risk in the bank's portfolio prepared by the Risk Management Group. The Committee shall also consider comments of the relevant senior management official/ Committee while reviewing such reports and communicate the planned/executed corrective actions to the Board, if required.

Committee on Physical Planning and Contingency

Arrangements

Meetings held: 4

Composition

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

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Terms of Reference:

The main terms of reference of the Committee are developing and devising an overall plan for physical infrastructure and contingency arrangements for the Bank, reviewing and monitoring all work in progress, including construction of premises and renovations, which shall, inter alia, be based on physical planning, reviewing, monitoring and recommending to the Board the building plans, master development agreements & contingency arrangements and reviewing, 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 recommending, as appropriate, changes in plans arising from this review.

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 include approving an overall plan for IT system for the Bank, approving the organizational strategic plan to ensure an effective use of information technology by all departments and branches, approving and overseeing the management's program to automate the organization's use of internal information to ensure that data is organized and shared in a manner that adds value and enhances productivity, approving and overseeing 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, reviewing and approving 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, undertaking 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 main terms of reference of the Committee are reviewing six monthly reports prepared by the Compliance Group and routed through the President on the actions taken on the recommendations and observations of SBP in its Annual Inspection Report and compliance status of AML/CFT Policy, guiding the management in the matters pertaining to compliance of SBP's observations and AML/CFT regulations, carrying on liaison between the Board and the Management with a view to ensuring compliance pertaining to the SBP's observations and AML/CFT issues; and making recommendations to the Board, if necessary, for taking decisions on expedient and appropriate disposal of observations of SBP Inspection Report; and overseeing the effectiveness of Service Quality functions of the Bank to review the performance of the Service Council.

Write Off and Waiver Committee

Meetings held: 1

Composition

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

Terms of Reference:

The main terms of reference of the Committee are reviewing and approving write-off & waiver cases on behalf of the Board of Directors and submitting cases of write-off & waiver for post facto ratification by the Board.

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Management Committees

1. MANAGEMENT COMMITTEE

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

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. Mohammad Ramzan
6. Mr. Zargham Khan Durrani
7. Mr. Azfar Alam Nomani

3. INVESTMENT COMMITTEE

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

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. Omair Safdar
7. Mr. M. Nauman Chughtai
8. Mr. Laqa Sarwar

8. ISSUE TRACKING AND MONITORING COMMITTEE

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

9. IT STEERING COMMITTEE

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

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

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Performance Evaluation of Board of Directors:

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

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

MCB Board has put in place a mechanism for an annual evaluation of its own performance whereby Board evaluates its strategic planning and long-term policies to assess the Bank's performance, monitors budgetary targets and ensures implementation of overall corporate strategy. The Board evaluates its performance by looking at the overall performance of the Bank. 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.

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

- Evaluates the strategic plan periodically to assess the Bank's performance, considers new opportunities and responds to unanticipated external developments.
- Ensures that a vision and/or mission statement and overall corporate strategy for the Bank is prepared and adopted.
- Ensures that significant policies have been formulated.
- Focuses its attention on long-term strategic and policy related issues rather than short-term administrative matters.
- Discusses thoroughly the annual budget of the Bank and its implications before approving it.
- Exercises its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interests of the Bank.

- Ensures robust and effective audit and risk management functions in the Bank.
- Ensures that a system of sound internal control is established, which is effectively implemented and maintained at all levels within the Bank.
- Ensures professional standards and corporate values are put in place that promote integrity for the board, senior management and other employees in the form of a Code of Conduct, defining therein acceptable and unacceptable behaviors.
- Exercises its powers as required under applicable laws, rules and regulations.
- Ensures the compliance of regulatory requirements and legislative system in which the Bank operates.

During the year, 2016, the Board deliberated on the following significant issues/matters:

- Annual Budgets/Business Plan for 2017.
- Bank's performance against 'MCB Long Term Strategic Plan'.
- Impact of Regulatory / Economic Factors on the Financial Projections of the Strategic Plan.
- Strategic Projects of the Bank.
- Bank's Policies and amendments thereto.
- Exception to Board's approved policies.
- 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 any entitlement thereto.
- 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 of External Auditors of the Bank along with its Overseas Operations as per the recommendation of Board's Audit Committee.
- Amendments in Terms of Reference of Board Sub-committees.
- Approval of Scheme of Amalgamation of NIB Bank Limited with and into MCB Bank Limited under Section 48 of the Banking Companies Ordinance, 1962.
- MIS relating to exception to Board approved policies.
- Exception from Current Ratio and Linkage Ratio Policy Framework.
- Alteration in Memorandum and Articles of Association.
- Client Service Reports issued by the External Auditors and its compliance status.
- Shari'ah Advisor's Report on overall Shari'ah Compliance Environment
- Status and implications of all material law suits filed by and against the Bank.
- Write-offs/Waivers approved at Different Authority Levels

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and recoveries thereto.

- Cases of fraud and forgeries of a material nature reported to State Bank of Pakistan ('SBP').
- Updates on Directors' Training Program.
- Transmission of Annual Audited Accounts to shareholders through Electronic/Digital medium.
- Annual Branch Expansion Plan of the Bank.
- Board's Own performance Evaluation.
- Guidelines on Performance Evaluation of Board of Directors issued by SBP.
- Institutional Risk Assessment Framework ("IRAF") Questionnaire.
- SBP Thematic Inspection Report on Service Quality Standards.
- Time Bound Action Plan on SBP Inspection Report, 2015 and Inspection Report on Outsourced Operations.
- Time Bound Compliance Plan for revised Prudential Regulations of SBP for Consumer Financing.
- Complaints received under Whistle Blowing Program of the Bank.
- Legal and Regulatory updates.
- Matters pertaining to Regulatory Requirements.

Revised Board Performance Evaluation Criteria:

Pursuant to requirements of 'Guidelines on Performance Evaluation of Board of Directors' issued by the State Bank of Pakistan through BPRD Circular No. 11 of 2016, dated August 22, 2016, the Board has set the following evaluation criteria to judge its performance:

- 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 the Bank 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 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 Bank 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 order to rule out conflict of interest in evaluation process, the Board has formed an Evaluation Committee which is playing a vital role in performance evaluation of the Board members. The Company Secretary assists the Evaluation Committee in the process of Board's 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 Evaluation Committee adopts mix of both quantitative and qualitative techniques. The overall performance of the Board is reflected in its performance evaluation. The Board Members develop and promote collective vision, culture, values and the behaviors they intend to promote in conducting the business of the Bank. The Board demonstrates ethical leadership and provides directions for the Management by promoting behavior consistent with the culture and values it has defined for the Bank. It made well-informed and high-quality decisions based on a clear line of sight into the business and created the right framework for helping directors to meet their fiduciary duties under the relevant statutory and regulatory regimes.

The performance evaluation by an external third party can bring objectivity to the whole process. The Board Evaluation Committee shall perform annual evaluation of overall board, chairman, committees and individual directors; however, the same shall be undertaken (facilitated) by an external independent evaluator at least every three years. External evaluator can give an independent view and perspective about overall performance of the Board, Committees and Individual Directors. The involvement of an independent external evaluator could provide an assurance to shareholders and other external stakeholders that the evaluation has been rigorous and objective.

Performance Evaluation of the Chief Executive Officer

President / Chief Executive Officer of the Bank is vested with the responsibility of managing overall affairs of the Bank. The Board, assuming a monitoring role, delegates its authority to the CEO to effectively manage the Bank, implement strategic decisions / policies and align the Bank's direction with the vision and set objectives. Performance evaluation of the CEO covers quantitative as well as qualitative aspects and

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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, the Human Resource and Remuneration Committee of the Board of Directors evaluated the performance of the CEO in line with the established performance based evaluation system. HRMC recommendation were, thereafter, reviewed and approved by the Board.

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

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

Roles and Responsibilities of the Chairman:

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

The Chairman shall ensure that:

- The composition of the Board is in accordance with legal and regulatory requirements;
- The Board as a whole is functioning effectively in accordance with applicable laws, regulations and rules to inculcate sound business principles and prudent commercial practices;
- The Board receives appropriate, accurate, timely and unbiased information, in particular, about the Bank's affairs and performance to enable the Board to take sound and effective decisions;
- The meetings of the Board and the Shareholders of the Bank are convened in compliance with legal and regulatory requirements; and proceedings of such meetings are accurately and fairly recorded. The agenda of the meetings take full account of applicable laws & regulations and the requirements of Bank's business;
- All Board Members are encouraged to participate and raise issues and concerns in the Board discussions, whilst promoting highest standards of Corporate Governance;

- The Board is concentrating on relevant issues and conflicts (if any) are effectively resolved;
- The Board sets the tone and values of the Bank; promotes a culture of openness and constructive debate and effective decision making;
- The Board is periodically updated on its statutory and fiduciary duties, as required in relevant laws, regulations and rules, enabling the Directors to perform their roles & responsibilities properly and prudently in the best interest of the Bank;
- Good relationship is maintained with Board Members, the Management and the Shareholders; so that obligations to the Shareholders and other stakeholders are understood and met; and
- Shareholders' and other stakeholders' interest is promoted in the decisions taken by the Board.

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

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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 Training Program for Directors

The Board had 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, except for two out of four newly appointed Board members during 2016.

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 and their Involvement / engagement in other companies

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 03 (three) 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

Annual Report 2016 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 believes in nurturing the talent of the individuals of the communities in which it operates. 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 provide 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, a mandatory document that acts as a guideline for employees while performing their duties.

MCB Bank truly adheres to its philosophy i.e. "Bank for Life". The Bank is committed to bringing about positivity in all aspects of life for its shareholders, customers & employees. As life's platform offers various elements of emotions, aspirations, expectations, needs and desires, MCB Bank endeavors to help achieve a higher form of living: a living that becomes more worthwhile when it is filled with love and compassion.

Corporate Social Responsibility

The Bank realizes it as its rightful duty to operate as a highly socially responsible Bank. 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 also holds an approved Corporate Social Responsibility (CSR) Policy to cover the core areas of focus on CSR. During 2016, the Bank has continued to make contributions towards education, health, environment, sports, social awareness and promotion of culture.

MCB Bank is one of the largest employers in Pakistan and provides employment opportunities to thousands of fresh, experienced and deserving candidates. The Institution regularly identifies and promotes talent which in turn contributes towards the progress of the economy as a whole. The Bank encourages internal and external trainings and President level interactive sessions for field and operational staff.

Youth Education and Training

MCB Bank recognizes the role of youth in the future of Pakistan. It has, therefore, partnered with leading educational institutes across the country to develop the personality and character of Pakistan's future generation.

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 2016, the Bank partnered with and sponsored Lahore University of Management Sciences (LUMS) Entrepreneurial Society for the Young Leaders & Entrepreneurs'

Summit [YLES], Kinnaird Entrepreneurial Club for a 2 days Business Week at the premises, Old Ravian Association Lahore for annual dinner and Institute of Chartered Accountants of Pakistan [ICAP] for the SAFA Conference Lahore 2016.

During 2016, the Bank has paid Rs. 26.6 million as education allowance to clerical and non-clerical staff for education of their children. In addition, MCB Bank has also spent Rs. 50.8 million on staff capacity building and trainings.

Sports

During 2016, the Bank made sponsorships for Multan Golf Club for the 7th Major General Shahid Hamid Khan Memorial All Pakistan Multan Open Golf Championship 2016, Lahore Garrison Golf and Country Club for Championship 2016, PAF Golf Club Islamabad for Night Golf Match, State Bank of Pakistan for the 13th SBP Governor's Cup - Interbank Regional Cricket Tournament [ISB 2016-17].

Employee Engagement through Celebration of National Events

The Bank over the years, has celebrated the Independence Day with great zeal. Each year, the Bank employees are encouraged to engage the customers in the activities and decorate the premises festively. The year 2016 proved to be an even mega year where the Head Office Lahore was a traffic-stopper for two nights as a result of its eye-catching LED décor and flag that covered the entire front of the building. Flag hoisting and cake cutting ceremony was held which was participated by MCB Employees and their families.

Employees of the Bank also celebrated the day throughout the Country and the event was shared amongst employees to encourage their spirits and patriotism.

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. To conserve energy as a policy and for efficient use of natural resources, MCB Bank has initiated installation of solar systems for its ATMs.

The management is geared towards mitigating the impact of high energy cost by promoting practices that aim to use energy smartly and economically.

Using technological advancement, a BMS operational system is installed at MCB Bank Principal Office building to have a centralized and better control over various energy sources. A recent initiative, the first of its kind was introduced at the newly built MCB Centre in Lahore, where waste heat is being utilized for cogeneration. Moreover, the Head Office building in Lahore has also been a constructed using glass panel which allows maximum use of sun light throughout the day.

During 2016, the Bank commenced the mega project to convert its vast network of more than 1,200 branches and ATM signage, running

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on conventional medium, to the most efficient and energy saving LED medium. This is in view of the Country's continuous energy shortfalls. The Bank energy saving measures resulted in a decrease of Rs. 23.98 million in electricity and gas expenses during 2016.

Environmental Protection Measures

With reference to environment, MCB Bank believes in a sustainable and safe environment which is closely linked to the welfare of the community. Plantation within the Bank is encouraged by the organization.

To contribute positively towards environment, MCB Bank has taken over a project of landscaping of over two kilometers of Airport road, Lahore with plantation of plants. During 2016, the Bank has spent Rs. 17.8 million as plantation expenses.

Online banking such as internet banking and mobile banking are a great way to reduce paper consumption. MCB Bank is the pioneer in introducing Mobile banking in Pakistan. Customers can execute fund transfer, request for Cheque book, balance inquiry, mini statement and utility bill payment through Mobile and Internet banking in paperless environment. During 2016, 4.9 million financial & non-financial transactions were executed by MCB mobile customers.

To reduce its paper consumption, the Bank's ATM system being programmed to ask the customer whether or not a printed receipts for the transaction is required. The Bank is encouraging its customers to opt for e-statement facility.

Mitigating the adverse impact of industrial effluents

We seek to reduce the direct impact of our operations on the environment. The Bank is creating awareness on the issues of water pollution and water preservation to deliver benefits to the communities. We encourage our clients to:

1. Avoid the release of effluent, or when not possible minimise and manage the impact
2. Implement technically and financially feasible measures for improving water consumption

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 upliftment/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

During the year, the Bank contributed towards health by donating an ambulance to the District Headquarter Hospital in Gwadar which is a growing industrial hub and is crowding by the day. The Bank also donated to Children Hospital Lahore for upgradation of Cardiac

surgery facilities for the underprivileged children of the Country.

MCB Bank also contributed generously towards the rehabilitation of the flood victims in Sri Lanka by joining hands with Sri Lanka Pakistan Friendship Association. The Bank also sponsored the Lahore Businessmen Association for Rehabilitation of the Disabled in 2016.

MCB Bank continued to donate its media space to the major concern of the world – Cancer. The Bank sponsored ads for Shaukat Khanum Cancer Hospital for constant donations towards growing number of cancer patients and Pink Ribbon for their awareness campaign of breast cancer awareness to women in Pakistan.

Besides direct financial support, the Bank also facilitated various charities in raising funds through electronic banking and distribution of flyers.

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. Staff at customer care department is specifically trained to ensure customer privacy and protection policy while dealing with sensitive information.

To ensure a culture of "Quality Customer Service" the Bank has a dedicated Service Quality Division with the objective of strengthening the Bank's service culture by managing close customer relationships. 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, thereby ensuring that it exceeds the expectation of its customers. The Bank has Help Desk, Call Centres and website to help address customer queries/complaints.

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During 2016, a total of 71,979 complaints were resolved at a success rate/level of 99.61%.

Total Login – Statement of Complaints	72,264		
Closed	71,979	99.61%	
Open	285	0.39%	
Total Complaints	57,534		
Closed	57,280	99.56%	
Open	254	0.44%	
Total Login	Closed	Open	Grand Total
Complaint	57,280	254	57,534
Request	10,066	20	10,086
Queries	3,307	10	3,317
Reversal	1,326	1	1,327
Grand Total	71,979	285	72,264
Percentages	99.61%	0.39%	

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 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 and ATM Uptime are monitored monthly.

Customer Experience Management:

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

Service 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.

Service Protocols, Complaint Logging and Suggestion Forms

SQ introduced Service Protocols booklet once again in all branches for standardization of Service Standards. A new and improved complaint logging procedure poster has been introduced in the branches for customer convenience in order to make it easier for the customers to give their feedback.

Quality Checks and Mystery Shopping

During the year, all branches were monitored with respect to service parameters and protocols. Moreover, around 750 branches were

'Mystery Shopped' by independent external agency and results of this activity was shared with management for further improvement. The average score was 80% across all regions including troubled non- metropolitan areas/far flung troubled areas.

Gender Equality and Employment of Special Persons

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. As of 2016, the Bank has approximately 14% female permanent employees. The Bank has also extended employment opportunities to special persons who are contributing towards the growth of the Bank. The Bank ensures through its approved Code of Conduct the rights of all staff members are highlighted and each employee abides by the basic ethical standards of the Bank.

Occupational Safety and Health:

MCB Bank has always tried its best to provide a congenial working environment to its employees, which includes Health & Safety aspects of its personnel. All permanent employees are covered under a comprehensive staff group insurance policy (life & medical) Our Bank branches are equipped with alarm system, CCTV cameras and trained security personnel have been deployed to ensure the safety of our people and customers. Bank has developed a comprehensive "Health, Safety & Environment Policy" which is periodically being reviewed & updated by the 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; however, 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 & pandemic etc. to ensure that its staff is updated with procedures for safeguarding life & 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 assures safety and security.

During the year under review there has been no significant health and safety issue reported.

Women Protection

MCB Bank has always tried its best to provide a congenial, non-discriminatory and harassment free atmosphere, Policy for protection of women harassment has been revisited in 2016 and rotated Bank wide. Training sessions will be conducted on the issue of Protection against Harassment of women at the workplace emphasizing the Bank's position of zero tolerance on this matter as well as disciplinary and legal implications where harassment charges are proved against an individual. Zero tolerance to any form of harassment or discrimination is also covered in our code of conduct.

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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. Bank has enhanced the number of seats for Umrah for the bank's staff members.

During the year the Bank through its platform of "Staff Welfare Fund" has spent Rs.5.3 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 Rs. 8.1 million in 2016.

Business Ethics and Anti-Corruption Measures

Bank has always been active in identifying and mitigating possible risks and losses through promulgation of policies and procedures to reduce possibility of such incidents.

The "Human Resources Management Group" of the Bank 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 signed off on a yearly basis. This document is also available on the intranet.

It is imperative that the Bank maintains a strong, positive compliance culture across the full range of our activities. At MCB Bank, employees are expected to act honestly, responsibly, and with integrity at all times. The Code of 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 each other. It also forms the cornerstones of our policies, which provide detailed guidance on how employees should act to ensure compliance with 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.

Values and ethics are major consideration at every level in MCB. Improved compliance and ethical standards are the core ethical base of the organization. In doing so it provides us an opportunity to reinvent ourselves in the public eye, and to set ourselves apart from others by ensuring that customers have been treated fairly and are catered for suitable products and services as per their needs.

MCB pursues a compliance policy, whereby it ensures that it is not exposed to reputational risk and its customers' interest is protected. The actions of staff members 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 can be clearly demonstrated and evidenced from practice that the bank follows and is critical in setting standards. Learning and Development of the employees plays a vital role in inculcating ethical corporate culture.

Contribution to National Exchequer

MCB Bank has the 3rd highest market capitalization in the banking industry. In 2016 the Bank paid Rs. 16.2 billion as income tax to Government Treasury and contributed approx. Rs. 8.5 billion to the national exchequer as withholding tax agent under different provisions of Income Tax Ordinance 2001.

The contribution by the Bank to the national economy by way of value addition was Rs. 47.6 billion, out of which around PKR 9.4 Billion was distributed to employees and Rs. 17.8 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 fully supports the agriculture sector by extending credit to the farming community. These finances, apart from business perspective, have an element of mission aligned with the cause of supporting our national goals and objectives.

Agriculture sector shares almost 22 percent of Pakistan's GDP. It is a catalyst of overall growth and optimistic economic outlook that provides dependable food security and confidence to almost 180 million people of this country. In this regard, MCB Bank extends all types of credit facilities to address the needs pertaining to both farm and non-farm activities of the farmers. Agriculture credit facilities are extended through 180 Agri Lending Branches all over Pakistan. MCB Bank encourages progressive farmers for farm mechanization as well as for their non-farm initiatives involving technology. Machinery & equipment are financed by extending credit on easy instalments mainly for tractor and its implements. A special arrangement is made with tractor manufacturers to achieve this objective.

The Bank has partnered with State Bank of Pakistan by partially sponsoring the Farmers Financial Literacy and Awareness Program Phase – II (FFLP). It is an Agricultural Awareness Program that is held at District Level in order to educate the agrarians at grass root level regarding agri credit facilities offered by the banks and better financial management of loans. MCB Bank has conducted financial literacy program at Gilgit in partnership with SBP and has actively participated in all such programs and Agri Melas. MCB Bank is committed in 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.

MCB Bank has 421 rural branches that offer customized product menu to suit and meet the requirements of the locals. MCB Bank is committed to enhancing the knowledge and understanding of banking business.

Human Resource Management and Succession Planning

The focus of Human Resource Management at MCB Bank Limited is to recruit, develop, retain and reward best talent. We strive to ensure that our employment policies meet relevant social, statutory and regulatory conditions and remain committed to building and maintaining strong collective relationships and agreements.

All HR policies have been reviewed and updated in accordance with present day requirements and corporate framework of the Bank as Management has recognized that this is a critical area with strong impact on performance, procedures and business ethics. Subsequent to approval of amendments to policy, the related procedures and SOPs were also amended accordingly. To enhance employee awareness and understanding, all approved policies are available on MCB portal.

Succession Planning

Succession Management is the development and retention of high potential employees so as to create a talent pool from which to fill key positions in the organization. Succession planning is a continuous process that involves identification, assessment and development of talent, to ensure that an organization's management can keep up with the changing business environment. Succession planning document is updated periodically to ensure business continuity and smooth functioning of all areas in case of attritions and change of job responsibilities.

HRMG-Learning & Development

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

Organization Structures & Job Roles

A structured organization is helpful in effectively achieving its strategic goals by aligning job roles with those of the individuals. The bank has therefore incorporated Organization Structure Management in its policy for the purpose. HR is consistently implementing this model to ensure synchronizing of job roles with organizational goals.

Motivational Environment and Merit Culture

MCB ensures motivational environment and merit culture throughout its operational units. It is a Bank that encourages its employees to do their best and get equally rewarded in return solely on merit. The incentive-based pay system at Bank encourages healthy competition amongst the employees and fosters talent.

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 or batch, from any background as long as they qualify for the professional criteria required by the Bank. Our culture at MCB Bank also depicts a healthy, team based and cooperative environment. We value the unique talents and perspectives of our employees and strive to create a respectful workplace. 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 and exercise his or her powers for shareholders' interests and not for their own or others' interest.

The Board and the Management of MCB Bank Limited ("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:

Every director (including spouse and minor children) of a Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the directors. Directors are required to disclose existing or perceived conflicts of interest at the Board meeting as per the requirements of Section 214 of the Companies Ordinance, 1984. Where a conflict of interest or potential conflict of interest has been disclosed, the Board Member concerned shall not take part and vote in the Board discussion of that topic.

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.

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

Managing Conflict of Interest

exercise of employment, profession or duties, complete and effective public disclosure of that information is made simultaneously unless such person owes a duty of confidentiality.

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 our Directors (including their spouses, parents, and children) hold key management positions, or are interested as partner, director or guarantor, or shareholders holding 5% or more of the share capital of that concern, with the approval of the majority of the directors excluding the director concerned. The facilities to the persons mentioned above shall be extended at market terms and conditions and be dealt with 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 Information Security
- f Business Technology & IT-PMO
- g IT Financial Services & Procurement

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. BT/IT-PMO is a central point of contact at Information Technology Group to facilitate ITG's other verticals and Other Groups for endeavouring successful deliveries of major and critical "IT Projects". The function is mainly responsible for:

- Establishing a connect between Technology and Business to understand business needs and to translate into technology solutions;
- Providing an Interface of the IT Group for other business groups to discuss their initiatives/projects for end-state solutions;
- End to end Project management of technology solution specifically and providing support for all other business initiatives in general, from technology perspective only;
- Project governance, support processes and methodologies for successful delivery of projects and customer requirements;

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 endeavor to earn and uphold the trust of all our customers and stakeholders by serving and dealing with them lawfully, ethically and professionally.

Purpose

This program provides a channel to Bank's staff and outside parties such as shareholders, vendors, customers etc. for raising concerns/complaints about irregularities, impropriety, financial malpractices, frauds & forgeries, personnel harassment and improper conduct or wrongdoing without any fear of reprisal or adverse consequences. The objective of the program is to address/resolve these concerns/complaints to prevent and/or detect improper activities for safeguarding the interest and reputation of the Bank and its stakeholders.

Scope

The program covers deliberate, voluntary disclosure of individual or organizational impropriety by a person who has or had privileged access to data, information or event about an actual, suspected or anticipated wrongdoing within or by an organization that is within its ability to control.

Protection of Whistle Blowers

MCB Bank is committed to the protection of genuine complainants against action(s) taken in reprisal for the making of protected disclosures. Confidentiality of the complainant's identity, the nature of the report and the identity of the suspected person is strictly maintained.

The Bank does not tolerate harassment or victimization and takes action, which could involve disciplinary proceedings, to protect complainants when they raise a concern in good faith.

Incentives for Whistle Blowing

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

Whistle Blowing Mechanism

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

- Hotline
- E-mail
- Fax
- Website
- Regular Mail

Concerns and complaints are investigated and findings are shared with the senior management for their necessary action. Information related to investigations is also shared with the Audit Committee and Board of Directors.

Number of instances reported to Audit Committee

Number of whistle blowing incidents (wrongdoings) along with update on investigations/resolution reported to the Audit Committee and Board of Directors during the year 2016 was 18.

Record Management Policy

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

The 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 endeavor to implement these comprehensive guidelines in letter and spirit, MCB has finalized Bank-wide retention schedules and further proceeded to subsequent phase(s) of implementation.

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 Antifraud 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 /tamppered 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, Compliance & Controls Group, Audit & Risk Assets Review (Audit & RAR) Group, and the controls and 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 and regulations. However, it needs to be stated that systems are designed to manage, rather than eliminate the risk of failure to achieve the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Bank has adopted 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 comprised 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.

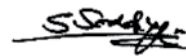
In accordance with SBP's directives and as stated earlier, the Bank has completed all stages of ICFR roadmap and a Long Form Report (LFR) on the assessment of Bank's ICFR for the year 2015 issued by the statutory auditors has been submitted to SBP in compliance with its directives stated in OSED Circular 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



Salman Zafar Siddiqi
Chief Financial Officer



Kamran Zaffar Muggo
Group Head
Operations



Agha Saeed Khan
Group Head
Audit & Risk Assets Review

Statement of Compliance with the Code of Corporate Governance For the year ended December 31, 2016

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:

- 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	Mr. Imran Maqbool
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.

- The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including the Bank (excluding the listed subsidiaries of the Bank).
- 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 NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
- Following casual vacancies occurred during the year 2016 on the Board of Directors and were subsequently filled up by the directors as hereunder;

Sr. No	Name of Director	Date of occurrence of casual vacancy	Casual vacancy filled with	Date of filling the casual vacancy	Days taken to fill the casual vacancy
1	Mr. Sarmad Amin	March 15, 2016	Mr. Irfan Ahmed Hashmi	July 14, 2016	121*
2	Mian Raza Mansha	May 03, 2016	Mrs. Iqraa Hassan Mansha	May 03, 2016	-
3	Dato' Seri Ismail Shahudin	July 30, 2016	Mr. Nor Hizam Bin Hashim	September 06, 2016	38
4	Mr. Aftab Ahmad Khan	December 29, 2016	Mr. Samir Iqbal Saigol	December 29, 2016	-

*(SECP has granted relaxation from Clause 5.19.3 of the Rule Book of PSX vide its letter No. SMD/SE/2(10)/2002 dated June 28, 2016 for filling up the causal vacancy within 90 days).

- 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.
- 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.

Statement of Compliance with the Code of Corporate Governance For the year ended December 31, 2016

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, except for two out of four newly appointed Board members during 2016.
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 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 company 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.

We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors



Mian Mohammad Mansha

Chairman

Lahore

February 08, 2017

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, 2016 to comply with the requirements contained in Regulation No. 5.19.24 (b) of rule book of Pakistan Stock Exchange Limited (Formerly Karachi, Lahore and Islamabad Stock Exchanges) 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The 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 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 this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out 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 December 31, 2016.



KPMG Taseer Hadi & Co.

Chartered Accountants

(M. Rehan Chughtai)

Lahore
February 08, 2017

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. During 2016, two new members were appointed in place of two outgoing Directors. Further, two qualified chartered accounts with diversified professional experience in various sectors have been 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 Head of Internal Audit 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 2016, 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 along with resolutions.
- Review and recommendation for continuation of employment of Group Head – Audit & RAR. Review & approval of Audit Group's increments, bonuses and promotions including Group Head – Audit & RAR.
- 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.
- 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 Manual - Sri Lanka Operations version 2.0.
 - Amendment in Terms of Reference of the Committee.
 - Statement on Internal Control Systems prior to endorsement by the Board.
- Additionally, the Committee reviewed and approved the following:
 - Branch Audit Rating Manual version 5.0.
 - Branch Audit Rating Manual for Sri Lanka Operations version 2.0.
- Monitoring of compliance status of observations highlighted in SBP inspection reports.

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.

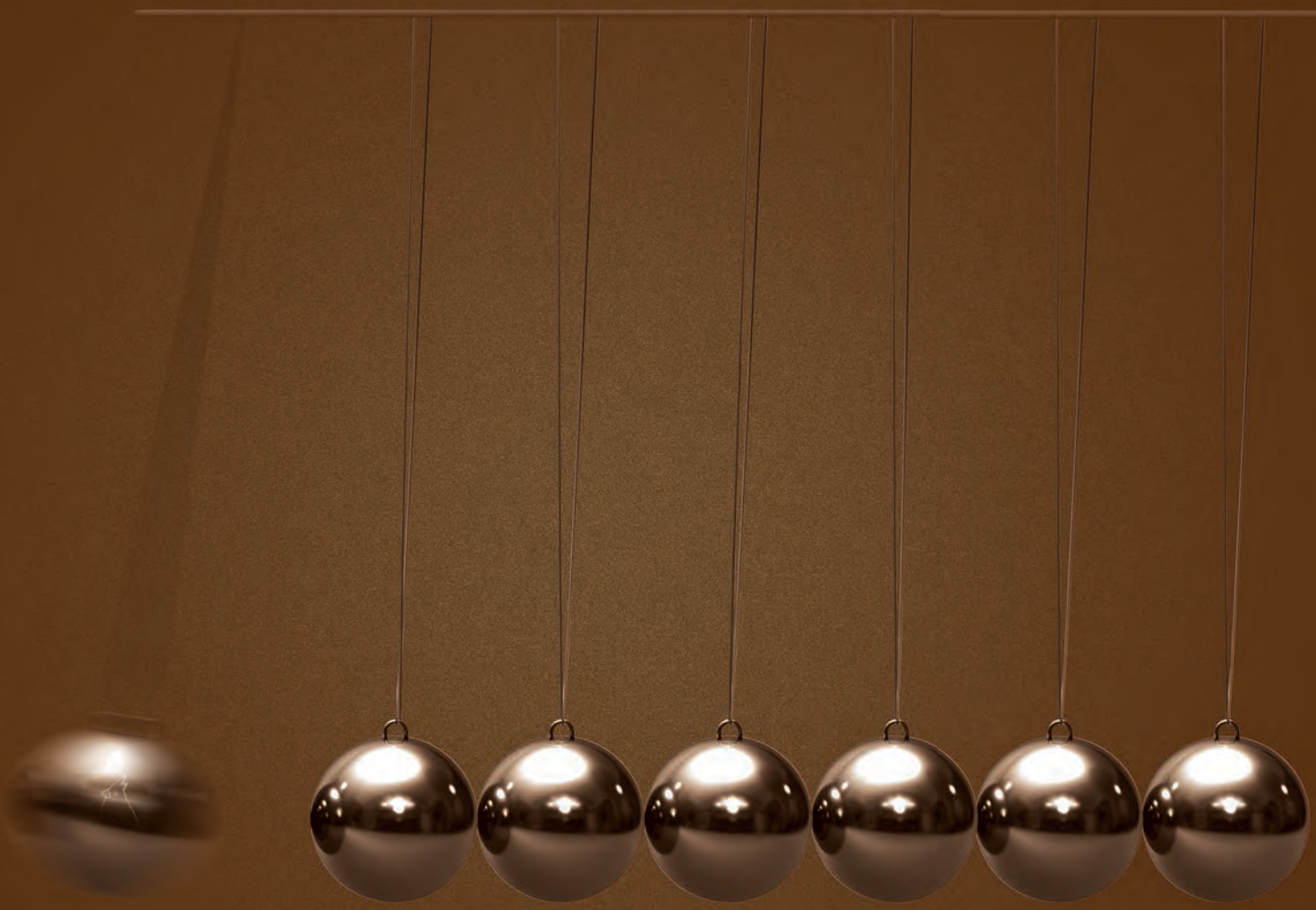
Lahore
February 07, 2017



Ahmad Alman Aslam
Chairman Audit Committee
MCB Bank Limited



Bank for Life



A CALCULATED LIFE

UNCONSOLIDATED FINANCIAL STATEMENTS 2016

Auditors' Report To The Members

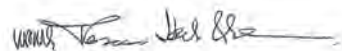
We have audited the annexed unconsolidated statement of financial position of MCB Bank Limited ("the Bank") as at December 31, 2016 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flow and unconsolidated statement 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, except for a change in accounting policies as disclosed in note 5.13 to the accompanying financial statements, with which we concur;
 - 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, 2016 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.

The financial statements of the Bank for the year ended December 31, 2015 were audited by another auditor who had expressed an unmodified opinion thereon vide their report dated February 26, 2016.



KPMG Taseer Hadi & Co.

Chartered Accountants

Lahore

Dated: February 08, 2017

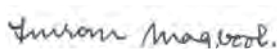
M. Rehan Chughtai

Unconsolidated Statement of Financial Position

As at December 31, 2016

	Note	2016	2015 Restated
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	74,222,347	60,567,695
Balances with other banks	7	4,343,841	3,611,185
Lendings to financial institutions	8	2,809,752	3,079,564
Investments - net	9	555,928,553	565,695,932
Advances - net	10	347,979,845	304,121,938
Operating fixed assets	11	32,752,672	29,949,890
Deferred tax assets - net		-	-
Other assets - net	12	33,776,671	37,383,936
		1,051,813,681	1,004,410,140
LIABILITIES			
Bills payable	14	12,843,552	11,888,776
Borrowings	15	74,515,383	118,039,748
Deposits and other accounts	16	781,429,823	696,804,929
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	17	11,260,215	11,376,589
Other liabilities	18	30,138,083	28,498,160
		910,187,056	866,608,202
NET ASSETS		141,626,625	137,801,938
Represented by			
Share capital	19	11,130,307	11,130,307
Reserves	20	53,346,861	51,309,081
Unappropriated profit		53,469,072	50,746,685
		117,946,240	113,186,073
Surplus on revaluation of assets - net of tax	21	23,680,385	24,615,865
		141,626,625	137,801,938
Contingencies and commitments	22		

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



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Muhammad Ali Zeb
Director



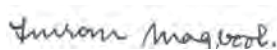
Irfan Ahmed Hashmi
Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2016

	Note	2016	2015 Restated
(Rupees in '000)			
Mark-up / return / interest earned	24	67,422,024	80,393,385
Mark-up / return / interest expensed	25	23,655,124	31,077,225
Net mark-up / interest income		43,766,900	49,316,160
Provision / (reversal) for diminution in the value of investments - net	9.3	(647,356)	822,059
Provision / (reversal) against loans and advances - net	10.4.2	1,300,989	(318,785)
Bad debts written off directly	10.5.1	18	67
		653,651	503,341
Net mark-up / interest income after provisions		43,113,249	48,812,819
Non mark-up / interest income			
Fee, commission and brokerage income		7,639,750	7,842,050
Dividend income		1,456,326	1,266,530
Income from dealing in foreign currencies		958,711	945,739
Gain on sale of securities - net	26	5,677,010	4,432,941
Unrealized gain / (loss) on revaluation of investments classified as held for trading	9.5	1,622	(4,392)
Other income	27	488,479	2,083,199
Total non mark-up / interest income		16,221,898	16,566,067
		59,335,147	65,378,886
Non mark-up / interest expenses			
Administrative expenses	28	22,073,702	21,967,630
Other provision - net	12.3	271,151	155,240
Other charges	29	915,604	927,477
Total non mark-up / interest expenses		23,260,457	23,050,347
Extra ordinary / unusual item		-	-
Profit before taxation		36,074,690	42,328,539
Taxation - Current year		12,386,090	14,447,371
- Prior years		1,675,794	1,906,156
- Deferred		121,910	428,745
	30	14,183,794	16,782,272
Profit after taxation		21,890,896	25,546,267
Basic and diluted earnings - after tax	Rupees per share	33	19.67
			22.95

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




 Imran Maqbool
President and Chief Executive



 S. M. Muneer
Director



 Muhammad Ali Zeb
Director



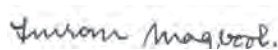
 Irfan Ahmed Hashmi
Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2016

	2016	2015 Restated
	(Rupees in '000)	
Profit after tax for the year	21,890,896	25,546,267
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans - net of tax	780,437	(1,719,982)
Items that may be reclassified to profit and loss account		
Effect of translation of net investment in foreign branches	(151,310)	(76,023)
Comprehensive income transferred to equity	22,520,023	23,750,262
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	(4,091,643)	3,319,045
Deferred tax	1,429,039	(1,480,499)
	(2,662,604)	1,838,546
Total Comprehensive income	19,857,419	25,588,808

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



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Muhammad Ali Zeb
Director



Irfan Ahmed Hashmi
Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2016

	Note	2016	2015 Restated
(Rupees in '000)			
Cash flows from operating activities			
Profit before taxation		36,074,690	42,328,539
Less: Dividend income		(1,456,326)	(1,266,530)
		34,618,364	41,062,009
Adjustments for non-cash items			
Depreciation	11.2 & 28	1,601,762	1,607,693
Amortization	11.3	366,153	373,609
Provision / (reversal) against loans and advances - net	10.4.2	1,300,989	(318,785)
Provision / (reversal) for diminution in the value of investments - net	9.3	(647,356)	822,059
Other provision - net	12.3	271,151	155,240
Bad debts written off directly	10.5.1	18	67
Provision for Workers' Welfare Fund	29	721,494	846,665
Charge / (reversal) for defined benefit plan - net	28	(98,645)	(447,691)
Unrealized (gain) / loss on revaluation of investments classified as held for trading	9.5	(1,622)	4,392
Gain on sale of shares in associate		(488,135)	(224,748)
Gain on disposal of fixed assets - net	27	(44,718)	(132,575)
		2,981,091	2,685,926
		37,599,455	43,747,935
(Increase) / decrease in operating assets			
Lendings to financial institutions		269,812	(1,661,383)
Net investments in 'held for trading' securities		217,155	(317,152)
Advances - net		(45,158,914)	(243,740)
Other assets - net		3,091,316	(2,000,765)
		(41,580,631)	(4,223,040)
Increase / (decrease) in operating liabilities			
Bills payable		954,776	(4,738,924)
Borrowings		(43,187,353)	58,342,442
Deposits and other accounts		84,624,894	8,475,409
Other liabilities		(290,314)	(2,854,174)
		42,102,003	59,224,753
		38,120,827	98,749,648
Defined benefits paid		(349,919)	(357,224)
Income tax paid		(16,178,039)	(15,952,216)
Net cash flows from operating activities		21,592,869	82,440,208
Cash flows from investing activities			
Net investments in 'available for sale' securities		14,689,766	(36,783,171)
Net investments in 'held to maturity' securities		(8,683,147)	(4,728,338)
Investment in subsidiary companies		-	(10,269,280)
Proceeds from divestment in subsidiary		-	77
Proceeds from divestment in associate		589,075	274,533
Proceeds from demerger scheme		5,901,988	-
Dividends received		1,429,129	1,262,739
Investments in operating fixed assets		(3,484,633)	(942,277)
Sale proceeds of property and equipment disposed off		600,641	243,944
Net cash flows from investing activities		11,042,819	(50,941,773)
Cash flows from financing activities			
Dividend paid		(17,760,058)	(17,167,405)
Net cash flows from financing activities		(17,760,058)	(17,167,405)
Exchange differences on translation of the net investment in foreign branches		(151,310)	(76,023)
Increase/ (decrease) in cash and cash equivalents		14,724,320	14,255,007
Cash and cash equivalents at beginning of the year		63,967,774	49,128,268
Effects of exchange rate changes on cash and cash equivalents		(285,432)	299,067
		63,682,342	49,427,335
Cash and cash equivalents at end of the year	34	78,406,662	63,682,342

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



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Muhammad Ali Zeb
Director



Irfan Ahmed Hashmi
Director

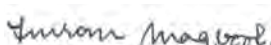
Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2016

	Share Capital	Capital Reserves		Statutory reserve	Revenue Reserves		Total
		Share premium	Exchange translation reserve		General reserve	Unappropriated profit	
(Rupees in '000)							
Balance as at December 31, 2014	11,130,307	9,702,528	394,507	20,132,970	18,600,000	46,947,863	106,908,175
Change in equity for the year ended December 31, 2015							
Total comprehensive income for the year ended December 31, 2015							
Profit after taxation for the year ended December 31, 2015 - restated	-	-	-	-	-	25,546,267	25,546,267
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	(1,719,982)	(1,719,982)
Exchange differences on translation of net investment in foreign branches	-	-	(76,023)	-	-	-	(76,023)
	-	-	(76,023)	-	-	23,826,285	23,750,262
Transactions with owners recognized directly in equity							
Final cash dividend at Rs. 4.0 per share - December 31, 2014	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - March 31, 2015	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - June 30, 2015	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - September 30, 2015	-	-	-	-	-	(4,452,123)	(4,452,123)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(17,808,492)	(17,808,492)
Net surplus on revaluation of assets transferred to MCBIBL	-	-	-	-	-	48,875	48,875
Transferred to statutory reserve	-	-	-	2,555,099	-	(2,555,099)	-
Balance as at December 31, 2015 - restated	11,130,307	9,702,528	318,484	22,688,069	18,600,000	50,746,685	113,186,073
Balance as at December 31, 2015 - previously reported	11,130,307	9,702,528	318,484	22,688,069	18,600,000	50,464,155	112,903,543
Effect of demerger - Note 9.11	-	-	-	-	-	282,530	282,530
Balance as at December 31, 2015 - restated	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	-	-	-	-	-	(17,808,492)	(17,808,492)
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

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

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



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Muhammad Ali Zeb
Director



Irfan Ahmed Hashmi
Director

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

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 whereas its Global Depository Receipts (GDRs) representing two ordinary shares (2015: two ordinary shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,227 branches (2015: 1,212 branches) within Pakistan and 11 branches (2015: 11 branches) outside the country (including the Karachi Export Processing Zone branch).

- 1.1 During the year, the Bank has transferred all assets and liabilities of Islamic Banking Operations to MCB Islamic Bank Limited under the scheme of demerger. Details are given in note 9.11 to these unconsolidated financial statements.
- 1.2 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. Pursuant to the Amalgamation, 73,569,197 ordinary shares of MCB shall be issued 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 subject to obtaining all necessary regulatory approvals.

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. 104.5985 per US Dollar (2015: Rs. 104.7410) 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 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 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

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

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2016:

- IAS 27—Separate Financial Statements—Equity Method in Separate Financial Statements (Amendment)
- IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2016 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these 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, 2017:

	Effective date (accounting periods beginning on or after)
• IAS 7 - Statement of cash flow (amendments)	January 01, 2017
• IAS 12 - Income taxes (amendments)	January 01, 2017
• IFRS 2 - Share-based Payment (amendments)	January 01, 2018
• IFRS 12 - Disclosure of Interests in Other Entities (amendments)	January 01, 2017
• IAS 28 - Investments in Associates and Joint Ventures (amendments)	January 01, 2018
• IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 01, 2018

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on 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 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

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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 10.4.3 and 10.4.5.

c) Impairment of 'available for sale' equity investments

The Bank determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the impairment may be appropriate when there is an evidence of deterioration in the financial health of the investee and sector performance, changes in technology and operational/financial cash flows.

d) Taxation

In making the estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

e) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.

f) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation/amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in Note 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 except as described in note 5.13.

5.1 Investments

The Bank classifies its investments as follows:

a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

c) Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment. Transaction costs on investments held for trading are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to

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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.

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.

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

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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. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.6 Staff retirement benefits

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
 - an approved contributory provident fund;
 - an approved gratuity scheme; and
 - a contributory benevolent scheme
- b) For clerical / non-clerical staff who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
 - an approved pension fund; and
 - contributory benevolent scheme
- c) For officers who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:
 - an approved non-contributory provident fund introduced in lieu of the contributory provident

fund;

- an approved pension fund, and
- contributory benevolent fund.

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.

- d) For executives and officers who joined the Bank on or after January 01, 2000, the Bank operates an approved contributory provident fund.
- e) Post retirement medical benefits to entitled employees.

Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the Projected Unit Credit Method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. 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.

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.

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

5.9.2 Foreign operations

The assets and liabilities of foreign branches are translated to Rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

5.9.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Bank's net investment in foreign branches, which are taken to the capital reserve (exchange translation reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

5.9.4 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the date of the statement of financial position.

5.10 Acceptances

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.

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5.13 Assets acquired in satisfaction of claims

To comply with the requirements of the Debt Swap Regulations issued by SBP through BPRD circular No. 01 of 2016 dated January 01, 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims effective from January 01, 2016. These were previously recorded at the lower of cost or market value and are now recorded at market value less accumulated depreciation. Had the accounting policy not been changed, Non banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs 217.460 million while surplus on revaluation of assets and deferred tax liabilities would have been lower by Rs 141.349 million and Rs 76.111 million respectively. The impact of this change in policy on profit for the year and earnings per share is not material.

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.

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 Dividend distribution and appropriation

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

5.19 Earnings per share

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

Notes to and forming part of the Unconsolidated Financial Statements For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	6.1	14,759,930	13,641,213
foreign currencies		2,786,617	2,637,617
With State Bank of Pakistan (SBP) in:			
Local currency current account	6.2	31,881,193	21,484,392
Foreign currency current account	6.3	116,129	38,766
Foreign currency deposit account	6.4	5,957,575	5,990,201
With other central banks in foreign currency current account	6.5	2,725,948	2,330,468
With National Bank of Pakistan in local currency current account		15,994,955	14,445,038
		<u>74,222,347</u>	<u>60,567,695</u>

- 6.1** This includes national prize bonds amounting to Rs.150.008 million (2015: Rs. 172.510 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. 4,468.181 million (2015: Rs. 4,492.651 million) which carry interest rate of 0% (2015: 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	2016	2015
(Rupees in '000)			
7. BALANCES WITH OTHER BANKS			
Outside Pakistan			
- current account		3,048,103	2,096,421
- deposit account	7.1	1,295,738	1,514,764
		<u>4,343,841</u>	<u>3,611,185</u>

- 7.1** Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 1.65% to 13% (2015: 0.40% to 2.45%) per annum.

Notes to and forming part of the Unconsolidated Financial Statements

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	Note	2016	2015
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2	558,800	2,795,034
Repurchase agreement lendings	8.3 & 8.4	2,250,952	72,710
Other lendings to financial institutions		-	211,820
		<u>2,809,752</u>	<u>3,079,564</u>
8.1 Particulars of lendings			
In local currency		1,989,014	1,000,000
In foreign currencies		820,738	2,079,564
		<u>2,809,752</u>	<u>3,079,564</u>

8.2. The call money lendings carry mark-up at the rate of 8.42% (2015 : 0.25% to 6.40%) per annum and are due to mature latest by January 2017.

8.3 Repurchase agreement lendings carry mark-up at rates ranging from 5.80% to 7.0% (2015: 6.0%) per annum and are due to mature latest by January 2017.

8.4 Securities held as collateral against lendings to financial institutions

	2016			2015		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	2,250,952	-	2,250,952	72,710	-	72,710
	<u>2,250,952</u>	<u>-</u>	<u>2,250,952</u>	<u>72,710</u>	<u>-</u>	<u>72,710</u>

Notes to and forming part of the Unconsolidated Financial Statements

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9. INVESTMENTS - NET

9.1 Investments by types

Note	2016			2015		
	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	145,662	-	145,662	158,254	-	158,254
- Pakistan Investment Bonds	-	-	-	208,955	-	208,955
	145,662	-	145,662	367,209	-	367,209
Available-for-sale securities						
- Market Treasury Bills	257,622,281	38,952,255	296,574,536	142,133,654	82,946,230	225,079,884
- Pakistan Investment Bonds	191,685,598	-	191,685,598	279,729,700	-	279,729,700
- Shares in listed companies	18,545,255	-	18,545,255	16,519,180	-	16,519,180
- Investment in REIT	174,678	-	174,678	174,678	-	174,678
- Shares in unlisted companies	205,890	-	205,890	205,948	-	205,948
- NIT units	5,253	-	5,253	5,253	-	5,253
- Term Finance Certificates	332,467	-	332,467	498,800	-	498,800
	468,571,422	38,952,255	507,523,677	439,267,213	82,946,230	522,213,443
Held-to-maturity securities						
- Market Treasury Bills	763,486	47,498	810,984	2,064,940	63,608	2,128,548
- Pakistan Investment Bonds	8,446,443	-	8,446,443	103,097	-	103,097
- Provincial Government Securities	118	-	118	118	-	118
- Sukuk Bonds	36,310	-	36,310	125,765	-	125,765
- Euro Bonds	2,845,467	-	2,845,467	2,757,628	-	2,757,628
- Term Finance Certificates						
Debentures, Bonds and Others	5,644,080	-	5,644,080	6,271,422	-	6,271,422
- Certificates of deposit	3,531,136	-	3,531,136	941,031	-	941,031
- Certificates of Investment	-	-	-	285,161	-	285,161
	21,267,040	47,498	21,314,538	12,549,162	63,608	12,612,770
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
	10,845,787	-	10,845,787	10,845,787	-	10,845,787
Associates						
- Adamjee Insurance Company Limited	792,875	-	792,875	893,815	-	893,815
- Euronet Pakistan (Private) Limited	52,521	-	52,521	52,521	-	52,521
	845,396	-	845,396	946,336	-	946,336
Investments at cost						
	501,675,307	38,999,753	540,675,060	463,975,707	83,009,838	546,985,545
Less: Provision for diminution in value of investments	(1,886,821)	-	(1,886,821)	(2,515,556)	-	(2,515,556)
Investments (net of provisions)						
Surplus / (Deficit) on revaluation of available for sale securities - net	17,147,233	(8,541)	17,138,692	21,231,078	(743)	21,230,335
Surplus / (Deficit) on revaluation of 'held for trading' securities - net	1,622	-	1,622	(4,392)	-	(4,392)
Investments at revalued amounts - net of provisions	516,937,341	38,991,212	555,928,553	482,686,837	83,009,095	565,695,932

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	Note	2016	2015
		(Rupees in '000)	
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills		295,825,841	225,079,884
- Pakistan Investment Bonds		200,132,041	280,041,752
- Euro Bonds		2,845,467	2,757,628
Overseas Government Securities			
- Market Treasury Bills - Sri Lanka		1,559,679	2,128,548
- Development Bonds		631,248	2,207,865
Provincial Government Securities		118	118
Subsidiaries and Associated Undertakings		11,691,183	11,792,123
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas		18,627,632	16,614,149
- Unlisted companies / funds		205,890	205,948
Fully Paid-up Preference Shares:			
- Listed Companies		63,285	63,285
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates		2,280,935	2,281,548
- Unlisted Term Finance Certificates		2,501,674	1,513,439
- Debentures, Bonds and Participation Term Certificates		562,690	767,370
Other Investments:			
- Sukuk Bonds		36,310	125,765
- Certificates of deposit		3,531,136	941,031
- Investment in REIT		174,678	174,678
- Certificates of Investment		-	285,161
- NIT Units		5,253	5,253
Total investments at cost		540,675,060	546,985,545
Less: Provision for diminution in the value of investments	9.3	(1,886,821)	(2,515,556)
Investments (net of provisions)		538,788,239	544,469,989
Surplus on revaluation of available for sale securities - net	21.2	17,138,692	21,230,335
Surplus / (deficit) on revaluation of held for trading securities - net	9.5	1,622	(4,392)
Investments at revalued amounts - net of provisions		555,928,553	565,695,932
9.3 Particulars of provision			
Opening balance		2,515,556	1,702,808
Charge during the year		20,459	1,202,742
Reversal on disposal of shares		(665,844)	(340,683)
Other reversal made during the year		(1,971)	(40,000)
		(647,356)	822,059
Transfer from /(to) MCBIBL		18,621	(9,311)
Closing balance		1,886,821	2,515,556
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Listed shares / Certificates / Units		1,688,355	2,354,198
Unlisted shares		80,961	78,191
		1,769,316	2,432,389
Held-to-maturity securities			
Unlisted TFCs, Debentures, Bonds and Participation Term Certificates		117,505	83,167
		1,886,821	2,515,556

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

9.4 Quality of 'available for sale' securities

	Note	2016		2015	
		Market value	Credit rating	Market value	Credit rating
		(Rupees in '000)		(Rupees in '000)	
Market Treasury Bills	9.4.1	296,507,499	Unrated	225,154,457	Unrated
Pakistan Investment Bonds	9.4.1	204,586,538	Unrated	300,497,023	Unrated
Listed Term Finance Certificates					
Bank Alfalah Limited		335,958	AA & A1+	506,645	AA-
Shares in Listed Companies					
Abbott Laboratories (Pakistan) Limited		605,551	Unrated	-	-
Aisha Steel Mills Limited - preference shares		2,726	Unrated	1,392	Unrated
Allied Bank Limited		634,841	AA+ & A1+	454,842	AA+ & A1+
Al Shaheer Corporation		277,099	Unrated	-	-
Archroma Pakistan Limited		-	-	58,776	Unrated
Attock Petroleum Limited		617,271	Unrated	453,863	Unrated
Attock Refinery Limited		402,206	AA & A1+	281,016	AA & A1+
Bank Alfalah Limited		448,535	AA & A1+	484,637	AA & A1+
Bank Al-Habib Limited		2	AA+ & A1+	563,889	AA+ & A1+
The Bank of Punjab		-	AA & A1+	95,973	AA- & A1+
Bestway Cement Limited		461,735	AA- & A1+	22,051	AA- & A1+
Cherat Cement Company Limited		-	-	183,877	A & A1
Clover Pakistan Limited		-	-	11,296	Unrated
Crescent Steel and Allied Products Limited		489,784	Unrated	-	-
Dawood Hercules Corporation Limited		515,157	AA- & A1+	333,437	AA- & A1+
Dolmen City REIT		172,613	RR1	170,390	Unrated
Engro Corporation Limited		534,255	AA & A1+	287,772	AA & A1+
Engro Fertilizers Limited		442,584	AA- & A1+	499,564	AA- & A1+
Engro Powergen Qadirpur Limited		31,458	A & A1	-	-
Fatima Fertilizer Company Limited		397,803	AA- & A1+	-	-
Fauji Cement Company Limited		653,728	Unrated	437,219	Unrated
Fauji Fertilizer Bin Qasim Company Limited		71,131	Unrated	18,965	Unrated
Fauji Fertilizer Company Limited		1,059,877	AA & A1+	1,218,391	AA & A1+
Faysal Bank Limited		209,850	AA & A1+	199,795	AA & A1+
Fecto Cement Limited		382,403	Unrated	218,139	Unrated
Ferozsons Laboratories Limited		56,980	Unrated	202,009	Unrated
First Capital Mutual Fund		104	3-Star	81	2-Star
Habib Bank Limited		27	AAA & A1+	-	-
Habib Metropolitan Bank Limited		498,594	AA+ & A1+	198,832	AA+ & A1+
Hub Power Company Limited		528,186	AA+ & A1+	-	-
Honda Atlas Cars (Pakistan) Limited		234,024	Unrated	114,524	Unrated
Hum Network Limited		207,589	A+ & A1	181,969	A+ & A1
IGI Insurance Limited		225,899	AA	99,000	AA
Indus Motor Company Limited		291,100	Unrated	-	-
International Industries Limited		114,089	AA- & A1	-	-
International Steels Limited		156,417	A+ & A1	110,919	Unrated
K-Electric Limited		2,010	AA & A1	363,042	AA- & A1
Kohat Cement Company Limited		-	-	289	Unrated
Kohinoor Textile Mills Limited		290,035	A+ & A1	-	-
Kot Addu Power Company Limited		1,234,166	AA+ & A1+	965,642	AA+ & A1+
Maple Leaf Cement Factory Limited		-	-	124,586	A & A1
Masood Textile Mills Limited - preference shares		50,000	Unrated	50,000	Unrated
Murree Brewery Company Limited		-	-	3,646	Unrated
Millat Tractor Limited		845,224	Unrated	-	-
National Bank of Pakistan		364,789	AAA & A1+	374,821	AAA & A1+
National Foods Limited		-	-	4,422	AA- & A1
National Refinery Limited		52,543	AA+ & A1+	37,022	AA+ & A1+
Nestle Pakistan Limited		360,900	Unrated	484	Unrated
* Next Capital Limited including LOR		57,033	A- & A2	14,216	A- & A2
Oil & Gas Development Company Limited		729,365	AAA & A1+	249,962	Unrated
Pak Elektron Limited		507,594	A+ & A1	275,708	A & A1
Balance carried forward		15,217,277		9,366,458	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

Note	2016		2015	
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
Balance brought forward	15,217,277		9,366,458	
Pakistan Oilfields Limited	104	Unrated	467,131	Unrated
Pakistan Petroleum Limited	411,120	Unrated	266,120	Unrated
Pakistan State Oil Company Limited	-	-	314,955	AA & A1+
Pakcem Limited	-	-	153,721	A- & A2
Packages Limited	512,410	AA & A1+	384,949	AA & A1+
Pakistan International Bulk Terminal Limited	-	-	68,680	Unrated
Pakistan National Shipping Corporation	113	AA- & A1+	146,423	AA- & A1+
Pakistan Reinsurance Company Limited	232,613	AA	189,323	Unrated
Pakistan Telecommunication Company Limited	265,689	Unrated	255,018	Unrated
Pioneer Cement Limited	49,745	A & A1	205,889	Unrated
Rafhan Maize Products Limited	457,035	Unrated	457,088	Unrated
Saif Power Limited	545,846	A+ & A1	458,844	A+ & A1
Siemens Pakistan Engineering Company Limited	15,957	Unrated	10,152	Unrated
* Sui Northern Gas Pipelines Limited	2,419,856	AA- & A1	1,014,363	AA- & A1
Sui Southern Gas Company Limited	382,402	A+ & A1	-	-
Treet Corporation Limited	191,138	AA- & A1	146,980	Unrated
* Trust Securities & Brokerage Limited	3,150	Unrated	1,032	Unrated
Unilever Pakistan Foods Limited	5,072	Unrated	5,159	Unrated
United Bank Limited	330,066	AAA & A1+	592,050	AA+ & A1+
Zulfqar Industries Limited	3,230	Unrated	2,739	Unrated
	21,042,823		14,507,074	
Closed Ended Mutual Fund				
PICIC Growth Fund	285,624	Unrated	211,438	Unrated
	285,624		211,438	
Shares in Un-listed Companies	9.4.2			
* National Investment Trust Limited	100	AM2+	100	AM2
* SME Bank Limited	-	B & B	2,771	BB & B
First Capital Investment (Private) Limited	2,500	AM4++	2,500	AM4+
First Women Bank Limited	63,300	A- & A2	63,300	BBB+ & A2
Pak Asian Fund	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	10,000	Unrated	10,000	Unrated
* National Institutional Facilitation Technologies (Private) Limited	1,526	Unrated	1,526	Unrated
Society for Worldwide Inter Fund Transfer (SWIFT)	1,738	Unrated	1,738	Unrated
* ISE Towers REIT Management Company Limited	30,346	Unrated	30,346	Unrated
Lanka Clearing (Private) Limited	699	Unrated	727	Unrated
Lanka Financial Services Bureau Limited	699	Unrated	727	Unrated
Credit Information Bureau of Sri Lanka	21	Unrated	22	Unrated
	124,929		127,757	
Other Investment				
N.I.T. Units	9,682	AM2-	6,995	AM2-
	<u>522,893,053</u>		<u>541,011,389</u>	

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.

* These are the strategic investments of the Bank.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

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

	Unrealized gain /(loss)		Cost	
	2016	2015	2016	2015
	(Rupees in '000)			
Investee Company				
Al Shaheer Corporation	463	-	13,457	-
Attock Refinery Limited	-	278	-	9,892
Bank Of Punjab	-	(412)	-	18,832
Engro Corporation Limited	28	100	15,049	12,472
Engro Fertilizers Limited	193	-	8,135	-
Engro Foods Limited	-	(39)	-	6,269
Hum Network	-	(59)	-	381
Indus Motor Company Limited	204	-	7,949	-
International Steel Limited	-	(2,293)	-	23,945
K-Electric Limited	-	(1,210)	-	55,794
Millat Tractor Limited	134	-	16,512	-
National Refinery Limited	6	-	280	-
Pak Elektron Limited	174	-	24,774	-
Pakistan State Oil Corporation	718	(1,057)	32,325	30,669
Pakistan Telecommunication Company Limited	(77)	-	1,657	-
Sui Northern Gas Pipelines Limited	(188)	-	16,502	-
Treet Corporation Limited	(33)	-	9,022	-
Pakistan Investment Bonds	-	300	-	208,955
	1,622	(4,392)	145,662	367,209

9.6 "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan.

9.7 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 792.875 million (2015: Rs. 893.815 million) as at December 31, 2016. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2016 amounted to Rs. 6,351.272 million (2015: Rs. 5,457.279 million).

9.8 Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (2015: Rs. 232.60 million) earmarked by the SBP against TT discounting facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2015: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.

9.9 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 "1".

9.10 Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

9.11 Demerger of Islamic Banking Operations

The Bank incorporated MCB Islamic Bank Limited (MCBIBL), a wholly owned subsidiary, with an authorized share capital of Rs. 15 Billion in 2014. During 2015, the Bank injected equity of Rs. 10 billion in the said subsidiary. SBP has granted "Certificate of commencement of Banking Business" to MCBIBL effective September 14, 2015.

The Board of Directors in their meeting held on October 20, 2015 approved a Scheme of Compromise, Arrangement and Reconstruction (the Scheme) of the Bank. The Scheme envisages transfer and vesting of assets, rights, liabilities and obligations of the Bank relating to Islamic Banking Group (the demerged undertaking) to MCBIBL effective from September 30, 2015 and subject to approval by the Bank's shareholders and sanction by the Honourable Lahore High Court.

The shareholders of the Bank approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on January 8, 2016. The Honourable Lahore High Court has granted sanction of, and ordered for implementation of the Scheme through its order received certified true copy dated April 19, 2016 whereby assets and liabilities of MCB's domestic Islamic Banking Operations were to be transferred as at the effective date September 30, 2015. The scheme was submitted to registrar on April 22, 2016.

The Scheme envisages the demerger as follows:

- Transfer of all assets and liabilities of demerged undertaking at their respective book values as of the Effective Date, against cash, which is subject to adjustment if any.
- From the Effective Date and upto the Completion Date, all the business and activities of the demerged undertaking shall be deemed to have been carried on by the Bank for and on account of, and in trust for, MCBIBL. On this basis, all profits and losses accruing or arising to or incurred by the MCB Bank Limited through the operation of the demerged undertaking from the Effective Date shall be treated as and be deemed to be the profits, income, losses and expenditure, as the case may be, of MCBIBL.

Consequently, the financial results of the demerged undertaking have been separated from the Bank from the Effective Date. Accordingly, the assets and liabilities and the items of profit and loss of the demerged undertaking have been excluded from these unconsolidated financial statements from October 01, 2015 and therefore the comparative figures of the statement of financial position as at December 31, 2015 have been re-adjusted to incorporate the effect of demerger.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

Details of assets and liabilities transferred to MCBIBL and the related adjustments made in the statement of financial position as at December 31, 2015 are as follows:

STATEMENT OF FINANCIAL POSITION

	Note	Audited December 31, 2015	Net Assets transferred to MCBIBL (Rupees in '000)	Settlement/ Adjustments/ reclassification	Audited December 31, 2015 Restated
ASSETS					
Cash and balances with treasury banks		61,208,938	641,243	-	60,567,695
Balances with other banks		3,681,893	70,708	-	3,611,185
Lendings to financial institutions	9.11.1	5,132,480	2,264,736	211,820	3,079,564
Investments - net		568,802,508	3,106,576	-	565,695,932
Advances - net		314,124,939	10,029,288	26,287	304,121,938
Operating fixed assets		32,432,650	2,456,473	(26,287)	29,949,890
Deferred tax assets - net		-	-	-	-
Other assets - net	9.11.2	31,246,245	52,342	6,190,033	37,383,936
		<u>1,016,629,653</u>	<u>18,621,366</u>	<u>6,401,853</u>	<u>1,004,410,140</u>
LIABILITIES					
Bills payable		11,975,237	86,461	-	11,888,776
Borrowings	9.11.1	118,459,448	631,520	211,820	118,039,748
Deposits and other accounts		708,091,171	11,286,242	-	696,804,929
Sub-ordinated loan		-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-
Deferred tax liabilities - net		11,376,589	-	-	11,376,589
Other liabilities		28,926,802	428,642	-	28,498,160
		<u>878,829,247</u>	<u>12,432,865</u>	<u>211,820</u>	<u>866,608,202</u>
NET ASSETS		<u>137,800,406</u>	<u>6,188,501</u>	<u>6,190,033</u>	<u>137,801,938</u>
Less: Net profit from October 01, 2015 to December 31, 2015 transferred to MCBIBL under scheme of demerger			4,723		
Add: Deficit on revaluation of AFS investments from October 01, 2015 to December 31, 2015 transferred to MCBIBL under scheme of demerger			6,255		
			1,532		
Net Amount receivable from MCBIBL			<u>6,190,033</u>		
		<u>Audited December 31, 2015</u>	<u>(Rupees in '000)</u>	<u>Settlement/ Adjustments/ reclassification</u>	<u>Audited December 31, 2015 Restated</u>
Represented by					
Share capital		11,130,307			11,130,307
Reserves		51,309,081			51,309,081
Unappropriated profit		50,464,155		282,530	50,746,685
		<u>112,903,543</u>		<u>282,530</u>	<u>113,186,073</u>
Surplus on revaluation of assets - net of tax		24,896,863		(280,998)	24,615,865
		<u>137,800,406</u>		<u>1,532</u>	<u>137,801,938</u>

Notes to and forming part of the Unconsolidated Financial Statements For the year ended December 31, 2016

PROFIT AND LOSS ACCOUNT

	Audited December 31, 2015	Transferred to MCBIBL (Rupees in '000)	Reclassification	Audited December 31, 2015 Restated
Mark-up / return / interest earned	80,532,228	239,508	100,665	80,393,385
Mark-up / return / interest expensed	31,210,389	133,164	-	31,077,225
Net mark-up / interest income	49,321,839	106,344	100,665	49,316,160
Provision / (reversal) for diminution in the value of investments - net	831,369	9,310	-	822,059
Provision / (reversal) against loans and advances - net	(288,195)	30,590	-	(318,785)
Bad debts written off directly	67	-	-	67
	543,241	39,900	-	503,341
Net mark-up / interest income after provisions	48,778,598	66,444	100,665	48,812,819
Non mark-up / interest income				
Fee, commission and brokerage income	8,382,960	135,437	(405,473)	7,842,050
Dividend income	1,266,530	-	-	1,266,530
Income from dealing in foreign currencies	949,687	3,948	-	945,739
Gain on sale of securities - net	4,432,138	(803)	-	4,432,941
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(4,392)	-	-	(4,392)
Other income	2,087,794	1,753	(2,842)	2,083,199
Total non mark-up / interest income	17,114,717	140,335	(408,315)	16,566,067
	65,893,315	206,779	(307,650)	65,378,886
Non mark-up / interest expenses				
Administrative expenses	22,476,318	201,038	(307,650)	21,967,630
Other provision - net	155,240	-	-	155,240
Other charges	928,495	1,018	-	927,477
Total non mark-up / interest expenses	23,560,053	202,056	(307,650)	23,050,347
Extra ordinary / unusual item	-	-	-	-
Profit before taxation	42,333,262	4,723	-	42,328,539

9.11.1 This includes foreign currency lendings and borrowings of Rs. 211.820 million grouped under branch adjustment account (due from Islamic Banking Group) as on December 31, 2015.

9.11.2 This includes consideration receivable from MCBIBL amounting to Rs 6.190 billion.

Amount included in the unconsolidated statement of changes in equity as at December 31, 2015 is worked out as follows:

	(Rupees in '000)
Net profit from October 01, 2015 to December 31, 2015 transferred to MCBIBL	(4,723)
Net Surplus on revaluation of assets transferred to MCBIBL	287,253
Net amount included in unappropriated profit as at December 31, 2015	282,530

9.11.3 Profit and loss account of the Bank for the year ended December 31, 2015 includes profit before tax of Rs. 362.043 million related to demerged branches of Islamic operations of the Bank for the period from January 01, 2015 to September 30, 2015 .

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		336,403,574	294,900,406
Outside Pakistan		18,186,103	15,953,412
		354,589,677	310,853,818
Net investment in finance lease	10.2		
In Pakistan		1,812,760	2,100,015
Outside Pakistan		80,328	87,243
		1,893,088	2,187,258
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,768,909	5,168,459
Payable outside Pakistan		5,426,101	4,318,976
		11,195,010	9,487,435
Advances - gross		367,677,775	322,528,511
Provision against advances	10.4		
Specific provision		(18,938,091)	(17,847,780)
General provision		(367,681)	(238,332)
General provision against consumer loans & small enterprise loans		(345,791)	(284,400)
General provision by overseas operations		(46,367)	(36,061)
		(19,697,930)	(18,406,573)
Advances - net of provision		347,979,845	304,121,938
10.1 Particulars of advances (gross)			
10.1.1 In local currency		328,537,304	291,412,572
In foreign currencies		39,140,471	31,115,939
		367,677,775	322,528,511
10.1.2 Short-term		243,661,982	218,536,438
Long-term		124,015,793	103,992,073
		367,677,775	322,528,511

Notes to and forming part of the Unconsolidated Financial Statements For the year ended December 31, 2016

10.2 Net investment in finance lease

Description	2016				2015			
	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	95,090	908,307	1,290,765	2,294,162	137,775	1,023,154	1,473,207	2,634,136
Guaranteed residual value	16,864	27,402	3,724	47,990	13,858	32,953	4,479	51,290
Minimum lease payments	111,954	935,709	1,294,489	2,342,152	151,633	1,056,107	1,477,686	2,685,426
Finance charge for future periods	(13,869)	(112,287)	(322,908)	(449,064)	(18,119)	(116,804)	(363,245)	(498,168)
Present value of minimum lease payments	98,085	823,422	971,581	1,893,088	133,514	939,303	1,114,441	2,187,258

10.3 Advances include Rs. 21,688.250 million (2015: Rs. 20,368.096 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2016								
		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
(Rupees in '000)										
2015										
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	-	-	-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-	-	-
Doubtful		430	45,897	46,327	215	22,949	23,164	215	22,949	23,164
Loss		15,284,568	5,037,201	20,321,769	15,270,976	2,553,640	17,824,616	15,270,976	2,553,640	17,824,616
		15,284,998	5,083,098	20,368,096	15,271,191	2,576,589	17,847,780	15,271,191	2,576,589	17,847,780

10.3.1 This represents non-performing portfolio of agricultural and small enterprise financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural and Small Enterprise Financing issued by the State Bank of Pakistan.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

Note	2016				Total
	Specific	General	General provision consumer & SEs loans	General provision Overseas Operations	
(Rupees in '000)					
10.4 Particulars of provision against advances					
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	(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

	2015				Total
	Specific	General	General provision consumer & SEs loans	General provision Overseas Operations	
(Rupees in '000)					
Opening balance	18,149,201	322,307	254,595	32,410	18,758,513
Exchange adjustments	57,851	-	-	(1,642)	56,209
Provision made during the year	2,226,286	(20,283)	29,805	5,293	2,241,101
Reversal during the year	(2,559,886)	-	-	-	(2,559,886)
	(333,600)	(20,283)	29,805	5,293	(318,785)
Transfer on demerger	(1,129)	(63,692)	-	-	(64,821)
Amounts written off	10.5.1 (24,543)	-	-	-	(24,543)
Closing balance	17,847,780	238,332	284,400	36,061	18,406,573

	2016			2015		
	Specific	General (Total)	Total	Specific	General (Total)	Total
(Rupees in '000)						

10.4.1 Particulars of provisions against advances						
In local currency	16,099,742	713,472	16,813,214	15,271,191	522,732	15,793,923
In foreign currencies	2,838,349	46,367	2,884,716	2,576,589	36,061	2,612,650
	18,938,091	759,839	19,697,930	17,847,780	558,793	18,406,573

	Note	2016		2015	
		Specific	General (Total)	Specific	General (Total)
(Rupees in '000)					
10.4.2 The following amounts have been charged to the profit and loss account:					
Specific provision			1,098,509		(333,600)
General provision	10.4.3		129,349		(20,283)
General provision against consumer & Small Enterprise loans	10.4.5		61,391		29,805
General provision by Overseas operations	10.4.6		11,740		5,293
			1,300,989		(318,785)

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

10.4.4 State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No.1 of 2011 dated October 21, 2011 has allowed benefit of forced sale value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for five years from the date of classification. However, management has not taken the FSV benefit in calculation of specific provision.

Notes to and forming part of the Unconsolidated Financial Statements For the year ended December 31, 2016

10.4.5 General provision against consumer loans represents provision maintained against fully secured performing portfolio and unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision against Small Enterprise Finance represents provision maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

10.4.6 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	2016 (Rupees in '000)	2015
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.4	4,968	24,543
Directly charged to the profit and loss account		18	67
		4,986	24,610
10.5.2 Write offs of Rs. 500,000 and above	10.5.3	701	22,700
Write offs of below Rs. 500,000		4,285	1,910
		4,986	24,610

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, 2016 is given at Annexure- II. However, this write off does not affect the Bank's right to recover the debts from these customers.

	Note	2016 (Rupees in '000)	2015
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		3,618,890	3,567,212
Loans granted during the year		1,134,238	854,399
Repayments		(872,856)	(802,721)
Balance at end of the year		3,880,272	3,618,890
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		277,612	525,883
Loans granted during the year		2,398,324	-
Repayments		(2,137,279)	(248,271)
Balance at end of the year		538,657	277,612
		4,418,929	3,896,502
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	938,075	889,741
Property and equipment	11.2	31,471,310	28,413,140
Intangible asset	11.3	343,287	647,009
		32,752,672	29,949,890
11.1 Capital work-in-progress			
Civil works		144,000	113,862
Advances to suppliers and contractors		764,460	763,710
Others		29,615	12,169
		938,075	889,741

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

11.2 Property and equipment

Description	2016										
	Cost/Revalued amount					Accumulated depreciation					
	At January 01, 2016	Additions/ (disposals)/ 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 disposals)/ exchange & 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 (495,307) 81,040	1,336,676 (70,273)	-	16,812,385	-	-	-	-	16,812,385	-
Land - Leasehold	297,526	- (100)	12,515	-	309,941	-	-	-	-	309,941	-
Buildings on freehold land	9,399,094	727,275 (28,132) (83,435)	535,787 (24,419)	(742,627)	9,783,543	451,969	294,311 (3,498) (155)	(742,627)	-	9,783,543	upto 70 years
Buildings on leasehold land	106,705	23,763 (21)	22,485	(12,711)	140,221	6,924	5,791 (4)	(12,711)	-	140,221	upto 50 years
Leasehold Improvements	709,438	63,781 (145) (2,319)	-	-	770,755	550,539	84,375 (145) (1,112)	-	633,657	137,098	3 years
Furniture and fixture	1,160,532	84,181 (20,012) (857)	-	-	1,223,844	672,292	95,528 (19,528) (650)	-	747,642	476,202	10%
Electrical, Computers and office Equipment	10,405,719	1,071,694 (360,173) (4,038)	-	-	11,113,202	7,171,816	970,984 (349,899) (2,521)	-	7,790,380	3,322,822	10% to 25%
Vehicles	1,010,299	44,597 (120,931) (942)	-	-	933,023	416,221	121,557 (95,707) 1,854	-	443,925	489,098	20%
	37,682,901	3,381,952 (1,024,700) 10,672	1,907,463 (94,692)	(755,338)	41,086,914	9,269,761	1,572,546 (468,777) (2,588)	(755,338)	9,615,604	31,471,310	

11.2 Property and equipment

Description	2015									
	Cost/Revalued amount				Accumulated depreciation				Net Book value at December 31, 2015	Annual Rate of depreciation /estimated useful life
	At January 01, 2015	Additions/ (disposals)/ Exchange and other adjustments	Reversal of Revaluation Surplus on disposal	At December 31, 2015	At January 01, 2015	Charge for the year/ (depreciation on disposals)/ exchange and other adjustments	At December 31, 2015			
(Rupees in '000)										
Land - Freehold	14,646,179	504,150 (209,325)	- (347,416)	14,593,588	-	-	-	-	14,593,588	-
Land - Leasehold	247,949	49,577	-	297,526	-	-	-	-	297,526	-
Buildings on freehold land	9,071,066	598,919 (233,105) (3,220)	- (34,566)	9,399,094	207,832	255,464 (11,186) (141)	451,969	8,947,125	upto 70 years	
Buildings on leasehold land	49,270	56,796 639	-	106,705	2,794	4,086 44	6,924	99,781	upto 50 years	
Leasehold Improvements	706,944	112,986 (107,536) (2,956)	-	709,438	469,377	153,868 (71,834) (872)	550,539	158,899	3 years	
Furniture and fixture	1,204,643	108,603 (152,064) (650)	-	1,160,532	712,869	92,408 (132,596) (389)	672,292	488,240	10%	
Electrical, Computers and office Equipment	9,943,320	1,331,135 (864,102) (4,634)	-	10,405,719	6,945,711	1,000,230 (770,187) (3,938)	7,171,816	3,233,903	10% to 25%	
Vehicles	861,113	271,015 (120,433) (1,396)	-	1,010,299	412,311	101,637 (97,020) (707)	416,221	594,078	20%	
	36,730,484	3,033,181 (1,686,565) (12,217)	(381,982)	37,682,901	8,750,894	1,607,693 (1,082,823) (6,003)	9,269,761	28,413,140		

Notes to and forming part of the Unconsolidated Financial Statements For the year ended December 31, 2016

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 information relating to location of revalued assets is given in Annexure IV. The details of revalued amounts are as follows:

	(Rupees in '000)
Total revalued amount of land	17,122,326
Total revalued amount of buildings	9,923,764

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2016 would have been as follows:

	(Rupees in '000)
Land	6,681,038
Buildings	6,912,075

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

Furniture and fixture	309,115
Electrical, computers and office equipment	4,786,103
Vehicles	194,266
Leasehold Improvements	519,466
Intangible asset	1,900,858

11.2.3 Details of disposal of operating fixed assets

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

11.3 Intangible asset

Description	2016							
	Cost			Accumulated amortization			Net Book value at December 31, 2016	Useful Life
	At January 01 2016	Additions/ (disposals)/ (adjustments)	At December 31, 2016	At January 01, 2016	Amortization for the year/ (disposals)/ (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	
Description	2015							
	Cost			Accumulated amortization			Net Book value at December 31, 2015	Useful Life
	At January 01 2016	Additions/ (disposals)/ (adjustments)	At December 31, 2015	At January 01, 2015	Amortization for the year/ (disposals)/ (adjustments)	At December 31, 2015		
	(Rupees in '000)							
Computer software	2,667,642	410,410 (93,578) (2,543)	2,981,931	1,973,199	373,609 (9,692) (2,194)	2,334,922	647,009	3 - 7 years
	2,667,642	410,410 (93,578) (2,543)	2,981,931	1,973,199	373,609 (9,692) (2,194)	2,334,922	647,009	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
12. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency		12,403,612	17,350,984
Income / mark-up accrued on advances and investments - foreign currencies		343,369	119,474
Accrued income, advances, deposits and other prepayments		2,121,105	1,681,581
Advance taxation (payments less provisions)		6,153,421	2,784,265
Compensation for delayed income tax refunds		239,947	606,399
Branch adjustment account		52,230	-
Non-banking assets acquired in satisfaction of claims	12.1	1,203,360	1,159,134
Unrealised gain on derivative financial instruments	12.2	496,032	449,550
Stationery and stamps on hand		67,733	84,485
Prepaid exchange risk fee		325	203
Receivable from the pension fund	36.3	7,773,482	5,656,386
Receivable from MCB Islamic Bank on account of demerger		-	6,190,033
Others		4,486,091	2,596,253
		<u>35,340,707</u>	<u>38,678,747</u>
Less: Provision held against other assets	12.3	1,564,036	1,294,811
		<u>33,776,671</u>	<u>37,383,936</u>

12.1 The market value of non-banking assets as per the valuation reports dated December 31, 2016 amounted to Rs. 1,180.751 million (2015: Based on valuation as of December 31, 2015 Rs. 1,203.499 million).

12.2 Unrealised gain on derivative financial instruments

	Contract / Notional Amount		Unrealized gain	
	2016	2015	2016	2015
(Rupees in '000)				
Unrealized gain on:				
FX Options	1,034,994	1,460,979	15,685	27,574
Cross Currency Swaps	675,193	-	30,882	-
Forward exchange contracts	48,852,621	68,363,806	449,465	421,976
	<u>50,562,808</u>	<u>69,824,785</u>	<u>496,032</u>	<u>449,550</u>

	2016	2015
(Rupees in '000)		
12.3 Provision held against other assets		
Opening balance	1,294,811	1,125,667
Charge for the year	325,515	158,353
Reversal during the year	(54,364)	(3,113)
	271,151	155,240
Write off	(1,213)	(7,382)
Exchange adjustments / reclassification	(713)	21,286
Closing balance	<u>1,564,036</u>	<u>1,294,811</u>

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2016 (2015: NIL).

	2016	2015
(Rupees in '000)		
14. BILLS PAYABLE		
In Pakistan	12,761,669	11,682,349
Outside Pakistan	81,883	206,427
	<u>12,843,552</u>	<u>11,888,776</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
		(Rupees in '000)	
15. BORROWINGS			
In Pakistan		70,180,289	112,745,024
Outside Pakistan		4,335,094	5,294,724
		<u>74,515,383</u>	<u>118,039,748</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		70,180,289	112,745,024
In foreign currencies		4,335,094	5,294,724
		<u>74,515,383</u>	<u>118,039,748</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	15.3	12,535,416	11,006,888
Long term financing facility	15.4	5,841,088	4,422,334
Long term financing - export oriented projects scheme	15.5	-	5,108
Financing Facility for Storage of Agricultural Produce	15.6	318,490	470,367
		<u>18,694,994</u>	<u>15,904,697</u>
Repurchase agreement borrowings	15.7	38,984,230	83,010,691
		<u>57,679,224</u>	<u>98,915,388</u>
Unsecured			
Borrowings from other financial institution	15.8	1,188,851	2,116,053
Call borrowings	15.9	15,487,782	16,511,769
Overdrawn nostro accounts		159,526	496,538
		<u>16,836,159</u>	<u>19,124,360</u>
		<u>74,515,383</u>	<u>118,039,748</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 for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.

15.6 These Borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.50% to 3.50% per annum.

15.7 These carry mark-up rates ranging from 5.50% to 10.50% per annum (2015: 6.0% to 6.50% per annum) and are secured against government securities of carrying value of Rs. 38,991.212 million (2015: Rs. 83,009.095 million). These are repayable latest by August, 2017.

15.8 These carry mark-up ranging from 1.50% to 2.25% per annum (2015: 1.45% to 2.50% per annum).

15.9 These carry mark-up ranging from 1% to 5.70% per annum (2015: 0.93% to 7.40% per annum). These are repayable by May, 2017.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	2016	2015
	(Rupees in '000)	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	45,340,915	45,853,181
Saving deposits	427,583,023	383,205,902
Current accounts	284,065,590	246,316,336
Margin accounts	6,904,119	5,164,176
	<u>763,893,647</u>	<u>680,539,595</u>
Financial institutions		
Remunerative deposits	10,474,158	9,956,795
Non-remunerative deposits	7,062,018	6,308,539
	<u>17,536,176</u>	<u>16,265,334</u>
	<u>781,429,823</u>	<u>696,804,929</u>
16.1 Particulars of deposits		
In local currency	730,313,667	650,953,075
In foreign currencies	51,116,156	45,851,854
	<u>781,429,823</u>	<u>696,804,929</u>

16.2 Deposits include deposits from related parties amounting to Rs. 11,107.288 million (2015: Rs. 11,379.863 million).

	Note	2016	2015
		(Rupees in '000)	
17. DEFERRED TAX LIABILITY / (ASSET) - NET			
The details of the tax effect of taxable and deductible temporary differences are as follows:			
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	21.1	1,054,091	901,919
Surplus on revaluation of Non-banking assets		76,111	-
Accelerated tax depreciation		1,425,265	1,503,574
Receivable from pension fund		2,720,719	1,979,736
Surplus / deficit on revaluation of securities	21.2	5,998,542	7,427,581
		<u>11,274,728</u>	<u>11,812,810</u>
Deductible temporary differences on:			
Provision for bad debts		(7,048)	-
Provision for post retirement benefits		(7,465)	(436,221)
		<u>(14,513)</u>	<u>(436,221)</u>
		<u>11,260,215</u>	<u>11,376,589</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		6,275,266	7,253,829
Mark-up / return / interest payable in foreign currencies		161,422	74,891
Accrued expenses	18.1	9,792,211	8,601,806
Unclaimed dividend		1,417,399	1,368,965
Staff welfare fund		5,628	7,948
Unrealised loss on derivative financial instruments	18.2	396,113	549,260
Provision for employees' compensated absences	36.3	1,053,870	986,818
Provision for post retirement medical benefits	36.3	2,104,444	1,717,108
Provision for employees' contributory benevolent scheme	36.3	209,352	195,881
Security deposits		64,505	70,062
Branch adjustment account		-	152,609
Retention money		18,076	69,720
Insurance payable against consumer assets		450,012	290,550
Unclaimed balances		1,103,285	1,028,393
Duties and taxes payable		70,657	128,950
Others		7,015,843	6,001,370
		<u>30,138,083</u>	<u>28,498,160</u>

18.1 This includes provision for Workers' Welfare Fund amounting to Rs. 5.644 billion. During the current 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.

18.2 Unrealized loss on derivative financial instruments

	Contracts / Notional Amount		Unrealized loss	
	2016	2015	2016	2015
(Rupees in '000)				
Unrealized loss on:				
FX Options	1,034,994	1,460,979	15,685	27,574
Cross Currency Swaps	675,193	-	22,599	-
Forward exchange contracts	49,900,708	79,447,578	357,829	521,686
	<u>51,610,895</u>	<u>80,908,557</u>	<u>396,113</u>	<u>549,260</u>

19. SHARE CAPITAL

19.1 Authorised Capital

2016 (Number of shares)	2015 (Number of shares)		2016 (Rupees in '000)	2015 (Rupees in '000)
1,500,000,000	1,500,000,000	Ordinary shares of Rs 10 each	15,000,000	15,000,000

19.2 Issued, subscribed and paid-up capital

2016			2015			2016	2015	
Issued for cash	Issued as bonus share	Total	Issued for cash	Issued as bonus share	Total	(Rupees in '000)		
(Number of shares)								
197,253,795	915,776,953	1,113,030,748	197,253,795	915,776,953	1,113,030,748	Opening balance	11,130,307	11,130,307
-	-	-	-	-	-	Shares issued during the year	-	-
<u>197,253,795</u>	<u>915,776,953</u>	<u>1,113,030,748</u>	<u>197,253,795</u>	<u>915,776,953</u>	<u>1,113,030,748</u>	Closing balance	<u>11,130,307</u>	<u>11,130,307</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

		2016	2015
		(Number of Shares)	
19.3	Number of shares held by the associated undertakings as at December 31, are as follows:		
	Adamjee Insurance Company Limited	42,945,187	38,102,387
	Nishat Mills Limited	85,339,091	84,014,991
	Din Leather (Private) Limited	6,936,333	6,936,333
	Siddiqsons Limited	14,276,462	14,276,462
	Mayban International Trust (Labuan) Berhad	222,606,147	222,606,147
		372,103,220	365,936,320

		2016	2015
		(Rupees in '000)	
20.	RESERVES		
	Share premium	9,702,528	9,702,528
	Exchange translation reserve	167,174	318,484
	Statutory reserve	24,877,159	22,688,069
	General reserve	18,600,000	18,600,000
		53,346,861	51,309,081

20.1 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

		2016	2015
		(Rupees in '000)	
21.	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
	Surplus / (deficit) arising on revaluation (net of tax) of:		
	- fixed assets	12,398,886	10,813,111
	- available-for-sale securities	11,140,150	13,802,754
	- Non-banking assets	141,349	-
		23,680,385	24,615,865
21.1	Surplus on revaluation of fixed assets-net of tax		
	Surplus on revaluation of fixed assets as at January 01	11,715,030	12,172,204
	Surplus during the year	1,907,463	-
	Surplus realised on disposal of revalued properties - net of deferred tax	(77,657)	(378,372)
	Related deferred tax liability	(17,035)	(3,610)
		(94,692)	(381,982)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(48,636)	(48,875)
	Related deferred tax liability	(26,188)	(26,317)
		(74,824)	(75,192)
	Surplus on revaluation of fixed assets as at December 31	13,452,977	11,715,030
	Less: Related deferred tax liability on:		
	Revaluation as at January 01	901,919	931,846
	Surplus during the year	195,395	-
	Disposal of revalued properties during the year transferred to profit and loss account	(17,035)	(3,610)
	Incremental depreciation charged during the year transferred to profit and loss account	(26,188)	(26,317)
		1,054,091	901,919
		12,398,886	10,813,111

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
21.2 Surplus / (deficit) on revaluation of available for sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		(67,037)	74,573
- Pakistan Investment Bonds		12,900,940	20,767,323
- Shares / Certificates / Units		4,297,026	381,233
- Open Ended Mutual Funds / NIT		6,336	3,649
- Investment in REIT		(2,064)	(4,288)
- Term Finance Certificates		3,491	7,845
		4,304,789	388,439
		17,138,692	21,230,335
Related deferred tax liability	17	(5,998,542)	(7,427,581)
		11,140,150	13,802,754
22. CONTINGENCIES AND COMMITMENTS			
22.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring			
Government		28,098,810	21,814,111
Banks and financial institutions		3,848,002	2,032,180
Others		2,010,891	1,965,279
		33,957,703	25,811,570
22.2 Transaction-related contingent liabilities			
Guarantees in favour of			
Government		15,482,837	9,961,864
Banks and financial institutions		60,034	585,970
Others		12,512,412	8,513,778
Suppliers' credit / payee guarantee		1,930,979	2,235,176
		29,986,262	21,296,788
22.3 Trade-related contingent liabilities		129,124,790	114,758,424
22.4 Other contingencies			
Claims against the Bank not acknowledged as debts		7,345,639	5,350,286
<p>These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.</p>			
22.5 Commitments to extend credit			
<p>The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.</p>			
22.6 Commitments in respect of forward foreign exchange contracts			
Purchase		49,411,339	75,975,136
Sale		49,341,990	71,836,248
22.7 Commitments for the acquisition of fixed assets		503,809	190,608
22.8 Other commitments			
FX options (notional amount)	23.1 & 23.2		
Purchase		1,034,994	1,460,979
Sale		1,034,994	1,460,979
Cross Currency Swaps (Notional)		1,350,386	-
Forward repurchase agreement borrowings		1,000,000	-
Forward call borrowings		400,000	-
Outright purchase of Government Securities		200,850	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

22.9 Taxation

For assessment year 1988-89 through tax year 2015, 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. 2,873 million (2015: Rs. 2,747 million) which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

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

23. DERIVATIVE INSTRUMENTS

Most 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.

Bank has acquired a derivatives processing system providing front end platforms, risk management systems and online execution utilities. 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 bank does not carry market risk on these transactions.

Risk Limits

The Board of Director 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, 2016

23.1 Product analysis

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

Counter parties	2015					
	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	-	-	-	-	37	1,460,979
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	37	1,460,979
Total						
Hedging	-	-	-	-	37	1,460,979
Market Making	-	-	-	-	37	1,460,979

23.2 Maturity analysis

Remaining maturity	2016				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	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

Remaining maturity	2015				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	32	1,082,980	(6,101)	6,101	-
Over 1 to 3 months	30	1,025,161	(10,557)	10,557	-
Over 3 to 6 months	10	486,311	(7,194)	7,194	-
Over 6 to 1 year	2	327,506	(3,722)	3,722	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	2016	2015
	(Rupees in '000)	
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	22,977,934	26,127,960
On investments in:		
Held for trading securities	86,415	52,926
Available for sale securities	42,809,595	53,228,365
Held to maturity securities	1,329,714	728,563
	44,225,724	54,009,854
On deposits with financial institutions	96,505	79,161
On securities purchased under resale agreements	101,182	163,629
On money at call	20,679	12,781
	<u>67,422,024</u>	<u>80,393,385</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	18,313,434	23,326,428
Securities sold under repurchase agreements	3,515,529	5,289,380
Other short-term borrowings	1,040,150	1,895,632
Discount, commission and brokerage	655,224	486,663
Others	130,787	79,122
	<u>23,655,124</u>	<u>31,077,225</u>
26. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	3,963	171,638
Pakistan Investment Bonds	3,688,179	2,135,207
Others		
Shares and units - Listed	1,984,868	2,126,096
	<u>5,677,010</u>	<u>4,432,941</u>
27. OTHER INCOME		
Rent on property / lockers	275,718	272,478
Net profit on sale of property and equipment	44,718	132,575
Bad debts recovered	33,753	52,202
Compensation on tax refunds	1,201	1,444,324
Postal, SWIFT and other charges recovered	133,089	181,620
	<u>488,479</u>	<u>2,083,199</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		8,718,101	9,223,841
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	36.9	(516,462)	(775,903)
- Post retirement medical benefits	36.9	171,293	166,934
- Employees' contributory benevolent scheme	36.9	17,833	19,693
- Employees' compensated absences	36.9	228,691	141,585
		(98,645)	(447,691)
Contributions to defined contribution plan - provident fund		245,001	234,092
Non-executive directors' fees		35,432	34,586
Rent, taxes, insurance and electricity		2,686,634	2,897,897
Legal and professional charges		264,975	218,053
Communications		1,107,744	1,220,737
Repairs and maintenance		1,837,660	1,665,956
Stationery and printing		543,165	613,590
Advertisement and publicity		482,932	356,128
Cash transportation charges		550,710	547,305
Instrument clearing charges		127,658	141,432
Donations	28.1	12,700	6,224
Auditors' remuneration	28.2	24,064	39,416
Depreciation	11.2	1,572,546	1,607,693
Depreciation on Non-Banking Assets		29,216	-
Amortization of intangible assets	11.3	366,153	373,609
Travelling, conveyance and fuel		374,541	325,006
Subscription		26,633	16,001
Entertainment		186,470	176,810
Training expenses		50,811	45,556
Petty capital items		70,620	58,732
Card related expenses		414,809	348,437
Outsourced security guards, tea services and janitorial expenses etc		2,212,772	2,067,176
CNIC verification charges		76,456	62,743
Others		154,544	134,301
		22,073,702	21,967,630

28.1 Detail of donations made during the year is as follows:

	2016	2015
(Rupees in '000)		
Children's Hospital Lahore	5,000	-
Govt Hospital Gwadar	1,000	-
Sri-Lanka Pakistan Friendship Association for rehabilitation of flood victims	715	-
Pink Ribbon (media time donated)	1,484	1,555
Shaukat Khanam Hospital (media time donated)	1,376	2,019
The Institute of Chartered Accountants of Pakistan	2,000	500
Old Ravians Association Lahore	300	100
LUMS Entrepreneurial Society	300	-
Lahore Businessmen Association for Rehabilitation of the Disabled	400	-
Kinnaird Entrepreneurial Club	125	-
Fronteir Works Organization - M2 Horticulture Initiative	-	850
Shaukat Khanum Hospital Peshawar	-	500
NUST Scholars Support Program	-	300
Suleman Dawood School of Business Luminites	-	250
South Asian Federation of Exchange	-	150
	12,700	6,224

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
28.2 Auditors' remuneration			
Annual Audit fee		13,000	13,885
Fee for audit and other certifications of overseas branches		9,219	7,569
Tax and other certifications		100	12,872
Sales Tax		985	2,495
Out-of-pocket expenses		760	2,595
		<u>24,064</u>	<u>39,416</u>

		2016	2015
(Rupees in '000)			
29. OTHER CHARGES			
Penalties of State Bank of Pakistan		4,151	(1,018)
Workers welfare fund		721,494	846,665
VAT and Crop Insurance Levy - Sri Lanka		76,538	43,978
Education cess		24,436	16,319
Impairment / loss on sale of Non-banking assets	29.1	88,985	21,533
		<u>915,604</u>	<u>927,477</u>

29.1 This represents loss on sale of two non banking assets, amounting to Rs. 83.985 million and Rs. 5.00 million.

30. TAXATION			
For the year			
Current		12,386,090	14,447,371
Deferred		121,910	428,745
		<u>12,508,000</u>	<u>14,876,116</u>
Prior years			
Current	30.1	1,675,794	1,906,156
Deferred		-	-
		<u>1,675,794</u>	<u>1,906,156</u>
		<u>14,183,794</u>	<u>16,782,272</u>

30.1 The Finance Act 2016 levied super tax at the rate of 4 percent of the taxable income for the tax year 2016, i.e. accounting year ended December 31, 2015. The effect of above levy has been incorporated in these financial statements and an amount of Rs.1,676 million (December 31, 2015 :Rs.1,906 million) has been recognised as prior year tax charge.

		2016	2015
(Rupees in '000)			
30.2 Relationship between tax expense and accounting profit			
Accounting profit for the year		36,074,690	42,328,539
Tax rate		35%	35%
Tax on income		12,626,142	14,814,989
Tax effect of permanent differences		1,453	-
Tax effect of prior years provisions		1,675,794	1,906,156
Others		(119,595)	61,127
Tax charge for the year		<u>14,183,794</u>	<u>16,782,272</u>

31. CREDIT RATING

PACRA through its notification dated June 24, 2016 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, 2016

		2016	2015
		(Rupees in '000)	
32. BASIC AND DILUTED EARNINGS PER SHARE - PRE TAX			
Profit before taxation		36,074,690	42,328,539
		(Number of Shares)	
Weighted average number of shares outstanding during the year		1,113,030,748	1,113,030,748
		(Rupees)	
Basic and diluted earnings per share - pre tax		32.41	38.03
		(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX			
Profit after taxation		21,890,896	25,546,267
		(Number of Shares)	
Weighted average number of shares outstanding during the year		1,113,030,748	1,113,030,748
		(Rupees)	
Basic and diluted earnings per share - after tax		19.67	22.95
		(Rupees in '000)	
	Note	2016	2015
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	74,222,347	60,567,695
Balances with other banks	7	4,343,841	3,611,185
Overdrawn nostro accounts	15	(159,526)	(496,538)
		78,406,662	63,682,342
		(Numbers)	
	Note	2016	2015
		Restated	
35. STAFF STRENGTH			
Permanent		10,951	10,396
Temporary/contractual basis		94	91
Bank's own staff strength at the end of the year		11,045	10,487
Outsourced	35.1	1,316	1,395
Total staff strength		12,361	11,882

35.1 This excludes outsourced security guards and tea services staff.

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

The Bank operates the following retirement benefits for its employees:

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

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

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, 2016. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	%	%	%	%	%	%
Valuation discount rate	8	10	8	10	8	10	8	10
Expected rate of return on plan assets	8	10	-	-	-	-	-	-
Salary increase rate	6.75	8.75	6.75	8.75	-	8.75	6.75	8.75
Medical cost inflation rate	-	-	-	-	5	10	-	-

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	
		2016	2015	2016	2015	2016	2015	2016	2015
(Rupees in '000)									
Present value of defined benefit obligations	36.5	3,519,114	3,507,849	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818
Fair value of plan assets	36.6	(11,292,596)	(9,164,235)	-	-	-	-	-	-
Net (receivable) / payable		(7,773,482)	(5,656,386)	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818

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	
		2016	2015	2016	2015	2016	2015	2016	2015
(Rupees in '000)									
Opening balance of (receivable) / payable		(5,656,386)	(7,263,254)	195,881	179,409	1,717,108	1,498,996	986,818	987,060
(Reversal) / charge for the year	36.9	(516,462)	(775,903)	17,833	19,693	171,293	166,934	228,691	141,585
Employees' contribution		-	-	4,535	5,130	-	-	-	-
Benefits paid		-	-	(42,261)	(45,834)	(150,554)	(143,445)	(161,639)	(173,075)
Other comprehensive income		(1,600,634)	2,382,771	33,364	37,483	366,597	194,623	-	31,248
Closing 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

36.5 Reconciliation of the present value of the defined benefit obligations

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2016	2015	2016	2015	2016	2015	2016	2015
(Rupees in '000)								
Opening balance	3,507,849	3,242,851	195,881	179,409	1,717,108	1,498,996	986,818	987,060
Current service cost	49,177	41,213	4,893	7,218	7,110	6,366	138,091	40,276
Interest cost	326,678	344,182	17,475	17,605	164,183	160,568	90,600	101,309
Benefits paid	(482,130)	(366,900)	(42,261)	(45,834)	(150,554)	(143,445)	(161,639)	(173,075)
Actuarial (gain) / losses								
-(Gain) / loss from change in financial assumptions	-	254,758	41,666	30,372	278,335	207,963	-	7,648
-Experience adjustment (gain) / loss	117,540	(8,255)	(8,302)	7,111	88,262	(13,340)	-	23,600
	117,540	246,503	33,364	37,483	366,597	194,623	-	31,248
Closing balance	3,519,114	3,507,849	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818

Notes to and forming part of the Unconsolidated Financial Statements For the year ended December 31, 2016

36.6 Reconciliation of fair value of plan assets

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2016	2015	2016	2015	2016	2015	2016	2015
(Rupees in '000)								
Opening balance	9,164,235	10,506,105	-	-	-	-	-	-
Expected return on plan assets	892,317	1,161,298	-	-	-	-	-	-
Benefits paid	(482,130)	(366,900)	-	-	-	-	-	-
Actuarial gain / (loss)	1,718,174	(2,136,268)	-	-	-	-	-	-
Closing balance	36.8	11,292,596	9,164,235	-	-	-	-	-

36.7 Actual return on plan assets

Actual return on plan assets	2,610,491	(974,970)	-	-	-	-	-	-
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36.8 Composition of fair value of plan assets

	Approved Pension Fund			
	2016		2015	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Listed equity shares	10,814,996	95.77	7,800,801	85.12
Open ended mutual funds units	186,609	1.65	435,283	4.75
Term Finance certificates	101,034	0.90	98,941	1.08
Cash and bank balances	189,957	1.68	829,210	9.05
Fair value of plan total assets	11,292,596	100	9,164,235	100

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

Shares of MCB	4,605,770	3,789,372
Bank balance with MCB	189,957	829,210
	<u>4,795,727</u>	<u>4,618,582</u>

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	
	2016	2015	2016	2015	2016	2015	2016	2015
(Rupees in '000)								
Current service cost	49,177	41,213	4,893	7,218	7,110	6,366	138,091	40,276
Interest cost	326,678	344,182	17,475	17,605	164,183	160,568	90,600	101,309
Expected return on plan assets	(892,317)	(1,161,298)	-	-	-	-	-	-
Employees' contribution	-	-	(4,535)	(5,130)	-	-	-	-
	<u>(516,462)</u>	<u>(775,903)</u>	<u>17,833</u>	<u>19,693</u>	<u>171,293</u>	<u>166,934</u>	<u>228,691</u>	<u>141,585</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

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, 2017 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	(571,586)	16,198	179,517	116,676

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 %	(292,686)	(16,995)	(193,400)	(69,173)
Decrease in discount Rate by 1 %	226,372	19,886	216,120	78,278
Increase in expected future increment in salary by 1%	73,503	-	-	78,470
Decrease in expected future increment in salary by 1%	(67,087)	-	-	(70,565)
Increase in Medical inflation rate by 1 %	-	-	141,620	-
Decrease in Medical inflation rate by 1 %	-	-	(119,120)	-

36.12 Five year data of defined benefit plan and experience adjustments

36.12.1 Approved Pension Fund

	2016	2015	2014	2013	2012
(Rupees in '000)					
Present value of defined benefit obligation	3,519,114	3,507,849	3,242,851	3,834,422	4,259,671
Fair value of plan assets	(11,292,596)	(9,164,235)	(10,506,105)	(9,688,629)	(22,688,154)
Surplus	(7,773,482)	(5,656,386)	(7,263,254)	(5,854,207)	(18,428,483)
Actuarial gain / (loss) on obligation	(117,540)	(246,503)	259,549	(83,090)	20,130
Actuarial gain / (loss) on assets	1,718,174	(2,136,268)	317,809	539,261	1,194,359

36.12.2 Employees' Contributory Benevolent Scheme

Present value of defined benefit obligation	209,352	195,881	179,409	213,438	257,089
Fair value of plan assets	-	-	-	-	-
	209,352	195,881	179,409	213,438	257,089
Actuarial gain / (loss) on obligation	(33,364)	(37,483)	(206)	4,974	26,335

36.12.3 Post Retirement Medical Benefits

Present value of defined benefit obligation	2,104,444	1,717,108	1,498,996	1,340,476	1,565,634
Fair value of plan assets	-	-	-	-	-
	2,104,444	1,717,108	1,498,996	1,340,476	1,565,634
Actuarial gain / (loss) on obligation	(366,597)	(194,623)	(189,018)	178,939	(129,950)

36.12.4 Compensated absences

Present value of defined benefit obligation	1,053,870	986,818	987,060	934,009	594,100
Fair value of plan assets	-	-	-	-	-
	1,053,870	986,818	987,060	934,009	594,100
Actuarial gain / (loss) on obligation	-	(31,248)	(173,480)	(564,126)	(141,920)

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37. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 8,144 (2015: 8,262) employees where contributions are made by the Bank and employees at 8.33% per annum (2015: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs.245.001 million (2015: Rs. 234.092 million) in respect of this fund.

The Bank also operates an approved non-contributory provident fund for 958 (2015:1,031) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 12.50% per annum (2015: 8.33% to 12.5% per annum) of the basic salary.

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	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Fees	-	-	35,432	34,586	-	-
Managerial remuneration and bonus	68,973	66,023	-	-	2,293,195	2,156,082
Retirement benefits	2,654	2,457	-	-	104,815	95,690
Rent and house maintenance	14,330	13,268	-	-	526,904	478,351
Utilities	3,184	2,948	-	-	117,611	107,131
Medical	-	-	-	-	32,457	29,158
Conveyance	-	-	-	-	488,041	493,972
	89,141	84,696	35,432	34,586	3,563,023	3,360,384
Number of persons	1	1	15	12	1,209	1,126

- 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).

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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 Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and building.

	Fair Value							
	2016			2015				
	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	147,284	-	-	147,284	153,562	-	-	153,562
- Pakistan Investment Bonds	-	-	-	-	-	209,255	-	209,255
	147,284	-	-	147,284	153,562	209,255	-	362,817
Available-for-sale securities								
- Market Treasury Bills	-	296,507,499	-	296,507,499	-	225,154,457	-	225,154,457
- Pakistan Investment Bonds	-	204,586,538	-	204,586,538	-	300,497,023	-	300,497,023
- Shares in listed companies & REIT	21,328,447	-	-	21,328,447	14,718,512	-	-	14,718,512
- NIT units	9,682	-	-	9,682	6,995	-	-	6,995
- Term Finance Certificates (TFCs)	-	335,958	-	335,958	-	506,645	-	506,645
	21,338,129	501,429,995	-	522,768,124	14,725,507	526,158,125	-	540,883,632
Non-Financial Assets measured at fair value								
Operating fixed assets (land and buildings)	-	27,046,090	-	27,046,090	-	23,938,020	-	23,938,020
Non-banking assets	-	1,203,360	-	1,203,360	-	1,159,134	-	1,159,134
Off balance sheet financial instruments								
FX options purchase	-	1,037,011	-	1,037,011	-	1,488,553	-	1,488,553
FX options sale	-	1,032,977	-	1,032,977	-	1,433,405	-	1,433,405
Cross currency swaps - long position	-	706,075	-	706,075	-	-	-	-
Cross currency swaps - short position	-	652,594	-	652,594	-	-	-	-
Foreign exchange contracts purchase	-	49,155,812	-	49,155,812	-	75,818,923	-	75,818,923
Foreign exchange contracts sale	-	49,689,153	-	49,689,153	-	71,892,751	-	71,892,751

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 and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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)	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.

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40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	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%	4.66%	-	-
2015						
Total income	270,206	23,803,171	33,847,419	7,961,431	-	65,882,227
Total expenses	(60,475)	(4,414,556)	(17,174,265)	(1,904,392)	-	(23,553,688)
Income tax expense	-	-	-	-	-	(16,782,272)
Net income	209,731	19,388,615	16,673,154	6,057,039	-	25,546,267
Segment assets - (Gross of NPL's provision)	701,758	645,968,762	767,100,114	247,942,091	(642,239,070)	1,019,473,655
Advance taxation (payments less provisions)	-	-	-	-	-	2,784,265
Total assets	701,758	645,968,762	767,100,114	247,942,091	(642,239,070)	1,022,257,920
Segment non performing loans	-	-	7,478,832	12,889,264	-	20,368,096
Segment specific provision required	-	-	7,549,876	10,297,904	-	17,847,780
Segment liabilities	88,730	568,030,237	709,642,280	219,709,436	(642,239,070)	855,231,613
Deferred tax liability	-	-	-	-	-	11,376,589
Total liabilities - net	88,730	568,030,237	709,642,280	219,709,436	(642,239,070)	866,608,202
Segment return on assets (ROA) (%)	38.50%	3.68%	4.46%	3.35%	-	-
Segment cost of fund (%)	-	7.39%	4.38%	7.13%	-	-

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 6 & 7) to these unconsolidated 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		Subsidiaries		Other related parties		Key management	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)									
A. Balances										
Deposits										
Opening balance	1,719,008	3,386,220	2,859,600	1,719,822	12,836	62,291	6,649,313	11,923,086	139,106	135,024
Received during the year	4,109,808	3,461,173	23,764,390	10,844,402	1,931,975	13,490,864	59,464,882	49,934,665	501,750	767,184
Withdrawn during the year	(3,286,749)	(5,128,385)	(24,055,406)	(9,704,624)	(1,905,943)	(13,540,319)	(60,262,187)	(55,208,448)	(535,095)	(763,102)
Closing 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
Advances										
Opening balance	886	1,549	-	-	276,726	502,416	-	21,918	68,520	68,672
Additions / adjustments during the year	-	-	-	-	-	-	2,398,324	-	33,519	15,414
Repaid during the year	(691)	(663)	-	-	(377)	(225,690)	(2,136,211)	(21,918)	(17,252)	(15,566)
Closing balance	195	886	-	-	276,349	276,726	262,113	-	84,787	68,520
Lendings to financial institutions										
Opening balance	-	-	-	-	211,820	-	-	-	-	-
Additions / adjustments during the year	-	-	-	-	1,922,779	1,963,412	-	-	-	-
Repaid during the year	-	-	-	-	(2,134,599)	(1,751,592)	-	-	-	-
Closing balance	-	-	-	-	-	211,820	-	-	-	-

Other Balances

	Directors		Associates		Subsidiary Companies		Other related parties		Key management	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)									
Receivable from Pension fund	-	-	-	-	-	-	7,773,482	5,656,386	-	-
Outstanding balance of credit cards	731	770	-	-	-	-	225	480	2,537	1,380
Commitments and contingent liabilities - outstanding	-	-	10,361	8,937	-	-	373,856	531,782	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	-	-	3,241,054	6,459,845	-	-
Unrealized gain / (loss) on forward foreign exchange contracts - outstanding	-	-	-	-	-	-	17,286	(6,254)	-	-
Borrowings outstanding	-	-	-	-	-	-	936,788	1,047,410	-	-
Overdrawn nostro balance	-	-	-	-	1,683	-	-	-	-	-
Trade payable	-	-	30,601	44,472	-	-	-	14,857	-	-
Markup payable	7,266	6,212	7,985	6,876	76	9,827	19,968	53,764	449	456
Other payable	4,226	2,423	788	516	15,501	7,095	68,295	3,045	-	-
Other advances	-	-	2,999	2,684	-	-	51,492	20,000	-	-
Markup receivable	-	-	-	-	2,629	4,240	3,163	776	1,152	689
Other receivable	-	-	810	-	7,354	6,793	-	-	-	-
Commission receivable	-	-	114,557	34,964	32,052	17,137	1	2	-	-
Advance received against sale of property	-	-	-	-	20,000	-	-	-	-	-

B. Transactions during the year

Received against scheme of demerger	-	-	-	-	5,901,988	-	-	-	-	-
Received against staff finances	-	-	-	-	113,434	-	-	-	-	-
Insurance premium-net of refund	-	-	477,151	360,918	-	-	-	-	-	-
Insurance claim settled	-	-	9,280	6,290	-	-	-	-	-	-
Markup income on advances and lendings	28	62	-	-	21,292	25,132	23,597	2,231	4,841	4,590
Forward exchange contracts matured during the year	-	-	-	-	-	-	55,539,270	101,360,304	-	-
Gain / (loss) on forward foreign exchange contracts matured during the year	-	-	-	-	-	-	(68,666)	(129,339)	-	-
Investment made during the year	-	-	-	-	-	10,261,375	-	-	-	-
Dividend income	-	-	273,641	295,416	120,109	120,109	5,627	51,774	-	-
Commission income	-	-	738,442	722,117	132,695	176,590	12,892	14,604	-	-
Rent income and reimbursement of other expenses	-	-	3,088	-	10,972	44,021	3,240	-	-	-
Outsourcing service expenses	-	-	138,996	130,724	-	-	-	-	-	-
Sale of foreign currency	-	-	-	-	431,594	-	-	-	-	-
Purchase of foreign currency	-	-	-	-	1,425,827	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	50	15
Gain / (loss) on sale of fixed assets	-	-	-	-	-	-	-	-	50	15
Cash sorting expenses	-	-	-	-	-	-	55,168	58,398	-	-
Stationery expenses	-	-	-	-	-	-	175,539	194,207	-	-
Security guards expenses	-	-	-	-	-	-	418,302	400,551	-	-
Remuneration and non-executive directors fee	124,573	119,282	-	-	-	-	-	-	408,837	397,888
Mark-up expense	75,468	106,098	57,384	72,239	623	66,841	245,689	648,917	1,202	1,766
Clearing expenses paid to NIFT	-	-	-	-	-	-	126,393	141,433	-	-
Contribution to provident fund	-	-	-	-	-	-	245,001	235,403	-	-
Gas charges	-	-	-	-	-	-	-	16,875	-	-
Rent and other expenses	-	-	6,811	7,981	8,925	-	21,370	721	-	-

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	Directors		Associates		Subsidiaries		Other related parties		Key management	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)									
Call borrowing deals entered and matured during the year	-	-	-	-	-	-	2,295,000	1,095,000	-	-
Sale of government securities	-	-	3,100,904	619,786	-	-	9,453,431	6,702,779	-	1,893
Purchase of government securities	-	-	7,094,110	250,313	-	551,495	10,165,703	1,417,818	-	-
Gain / (loss) on sale of government securities	-	-	(24)	-	-	-	3,173	33,472	-	7
Miscellaneous expenses and payments	-	-	-	-	-	-	44,232	50,963	-	-

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.

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, 2016 stands at Rs. 11.130 billion and is in compliance with the SBP requirement.

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

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

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

- *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 60% of remaining 55% for 2016 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 (10.65% 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. Further, there has been no material change in the Bank's management of capital during the year.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

42.3 Capital Adequacy Ratio

	2016	2015
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital	11,130,307	11,130,307
2 Balance in Share Premium Account	9,702,528	9,702,528
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	43,477,159	41,288,069
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits	53,469,072	50,746,685
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	117,779,066	112,867,589
10 Total regulatory adjustments applied to CET1 (Note 42.3.1)	5,780,491	5,800,559
11 Common Equity Tier 1	111,998,575	107,067,030
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)	111,998,575	107,067,030
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	759,839	558,793
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	9,671,131	7,244,784
29 of which: Unrealized gains/losses on AFS	8,689,317	9,247,845
30 Foreign Exchange Translation Reserves	167,174	318,484
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	19,287,461	17,369,906
33 Total regulatory adjustment applied to T2 capital (Note 42.3.3)	2,317,737	3,506,888
34 Tier 2 capital (T2) after regulatory adjustments	16,969,724	13,863,018
35 Tier 2 capital recognized for capital adequacy	16,969,724	13,863,018
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	16,969,724	13,863,018
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	128,968,299	120,930,048

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	2016	2015
	(Rupees in '000)	
39 Total Risk Weighted Assets (RWA) (for details refer Note 42.6)	667,195,434	622,322,532
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	16.79%	17.20%
41 Tier-1 capital to total RWA	16.79%	17.20%
42 Total capital to total RWA	19.33%	19.43%
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)	10.79%	11.20%
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	10.65%	10.25%
Leverage Ratio		
Tier 1 Capital	111,998,575	107,067,030
Total Exposures	1,304,008,383	1,301,368,070
Leverage Ratio	8.59%	8.23%

Regulatory Adjustments and Additional Information

2016	2015
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)	431,096	-	823,011
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	3,031,658	5,052,763	1,470,660
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-
7 Cash flow hedge reserve	-	-	-
8 Investment in own shares/ CET1 instruments	-	-	-
9 Securitization gain on sale	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
15 Amount exceeding 15% threshold	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions*	2,317,737	-	3,506,888
22 Total regulatory adjustments applied to CET1	5,780,491	-	5,800,559

Notes to and forming part of the Unconsolidated Financial Statements For the year ended December 31, 2016

Regulatory Adjustments and Additional Information		2016	2015
		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	2,317,737	3,506,888
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	Total regulatory adjustment applied to AT1 capital *	-	-
*As the Bank has not Tier 1 capital, deduction was made from CET1.			
42.3.3 Tier 2 Capital: regulatory adjustments			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,317,737	3,506,888
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33	Investment in own Tier 2 capital instrument	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	Total regulatory adjustment applied to T2 capital	2,317,737	3,506,888
		2016	2015
(Rupees in '000)			
42.3.4 Additional Information			
Risk Weighted Assets subject to pre-Basel III treatment			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	2,021,105	2,205,990
(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)	759,839	558,793
42	Cap on inclusion of provisions in Tier 2 under standardized approach	5,869,219	5,156,171
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

42.4 Capital Structure Reconciliation

Step 1

	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation
	As at 31-12-2016	As at 31-12-2016
(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
Lending to financial institutions	2,809,752	2,809,752
Investments	555,928,553	555,928,553
Advances	347,979,845	347,979,845
Operating fixed assets	32,752,672	32,752,672
Deferred tax assets	-	-
Other assets	33,776,671	33,776,671
Total Assets	1,051,813,681	1,051,813,681
Liabilities & Equity		
Bills payable	12,843,552	12,843,552
Borrowings	74,515,383	74,515,383
Deposits and other accounts	781,429,823	781,429,823
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	11,260,215	11,260,215
Other liabilities	30,138,083	30,138,083
Total Liabilities	910,187,056	910,187,056
Share capital	11,130,307	11,130,307
Reserves	53,346,861	53,346,861
Unappropriated profit	53,469,072	53,469,072
Minority Interest	-	-
Total Equity	117,946,240	117,946,240
Surplus on revaluation of assets - net of tax	23,680,385	23,680,385
Total liabilities & equity	1,051,813,681	1,051,813,681

Step 2

	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2016	As at 31-12-2016	
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	74,222,347	74,222,347	
Balanced with other banks	4,343,841	4,343,841	
Lending to financial institutions	2,809,752	2,809,752	
Investments	555,928,553	555,928,553	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others	-	-	e
Advances	347,979,845	347,979,845	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	759,839	759,839	g

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

Step 2	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2016	As at 31-12-2016	
(Rupees in '000)			
Fixed Assets	32,752,672	32,752,672	
of which: Intangibles	431,096	431,096	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	33,776,671	33,776,671	
of which: Goodwill	-	-	j
of which: Defined-benefit pension fund net assets	7,773,482	7,773,482	l
Total assets	1,051,813,681	1,051,813,681	
Liabilities & Equity			
Bills payable	12,843,552	12,843,552	
Borrowings	74,515,383	74,515,383	
Deposits and other accounts	781,429,823	781,429,823	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	11,260,215	11,260,215	
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	2,720,719	2,720,719	q
of which: other deferred tax liabilities	8,539,496	8,539,496	r
Other liabilities	30,138,083	30,138,083	
Total liabilities	910,187,056	910,187,056	
Share capital	20,832,835	20,832,835	
of which: amount eligible for CET1	20,832,835	20,832,835	s
of which: amount eligible for AT1	-	-	t
Reserves	43,644,333	43,644,333	
of which: portion eligible for inclusion in CET1 (general reserve & statutory reserve)	43,477,159	43,477,159	u
of which: portion eligible for inclusion in Tier 2	167,174	167,174	v
Unappropriated profit	53,469,072	53,469,072	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	23,680,385	23,680,385	
of which: Revaluation reserves on fixed assets	12,398,886	12,398,886	aa
of which: Unrealized Gains/Losses on AFS	11,140,150	11,140,150	
of which: Revaluation reserves on Non-banking assets	141,349	141,349	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	141,626,625	141,626,625	
Total liabilities & equity	1,051,813,681	1,051,813,681	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital	11,130,307
2	Balance in Share Premium Account	9,702,528 (s)
3	Reserve for issue of Bonus Shares	-
4	General/ Statutory Reserves	43,477,159
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/(losses)	53,469,072 (u)
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)	- (w)
8	CET 1 before Regulatory Adjustments	117,779,066
Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-
10	All other intangibles (net of any associated deferred tax liability)	431,096 (j) - (o)
11	Shortfall of provisions against classified assets	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
13	Defined-benefit pension fund net assets	3,031,658 (k) - (p)
14	Reciprocal cross holdings in CET1 capital instruments	-
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	-
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)	-
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)	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
23	Amount exceeding 15% threshold	-
24	of which: significant investments in the common stocks of financial entities	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments applied to CET1 capital	-
27	Investment in TFCs of other banks exceeding the prescribed limit	-
28	Any other deduction specified by SBP	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-
30	Total regulatory adjustments applied to CET1	2,317,737
31	Common Equity Tier 1	111,998,575
Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-
33	of which: Classified as equity	-
34	of which: Classified as liabilities	-
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	-

Notes to and forming part of the Unconsolidated Financial Statements For the year ended December 31, 2016

Step 3

Component of
regulatory
capital reported
by bank

Source based
on reference
number from
step 2

(Rupees in '000)

	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	2,317,737	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
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)	111,998,575	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III	-	
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	759,839	(g)
54	Revaluation Reserves eligible for Tier 2	18,360,448	
55	of which: Revaluation reserves on fixed assets	9,671,131	
56	of which: Unrealized Gains/Losses on AFS	8,689,317	portion of (aa)
57	Foreign Exchange Translation Reserves	167,174	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	19,287,461	
	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	2,317,737	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital	2,317,737	
66	Tier 2 capital (T2)	16,969,724	
67	Tier 2 capital recognized for capital adequacy	16,969,724	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	16,969,724	
70	TOTAL CAPITAL (T1 + admissible T2)	128,968,299	

Notes to and forming part of the Unconsolidated Financial Statements
For the year ended December 31, 2016

42.5 Main Features Template of Regulatory Capital Instruments

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

Notes to and forming part of the Unconsolidated Financial Statements For the year ended December 31, 2016

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	
	2016	2015	2016	2015
	(Rupees in '000)			
Credit Risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Corporate portfolio	25,304,164	23,696,859	212,578,173	207,966,811
Banks / DFIs	1,049,926	1,020,804	8,820,343	8,958,714
Public sector entities	708,512	456,353	5,952,146	4,005,015
Sovereigns / cash & cash equivalents	745,085	1,307,719	6,259,398	11,476,715
Loans secured against residential property	180,323	149,781	1,514,879	1,314,501
Retail	2,102,630	1,843,621	17,664,018	16,179,866
Past due loans	333,583	293,255	2,802,404	2,573,642
Operating fixed assets	3,847,387	3,593,094	32,321,576	31,533,478
Other assets	2,074,397	1,249,665	17,426,837	10,967,226
	36,346,007	33,611,151	305,339,774	294,975,968
Off-Balance Sheet				
Non-market related	14,264,525	11,327,484	119,835,080	99,411,515
Market related	65,452	35,314	549,861	309,919
	14,329,977	11,362,798	120,384,941	99,721,434
Equity Exposure Risk in the Banking Book				
Listed	799,779	694,207	6,718,875	6,092,454
Unlisted	2,440,799	1,333,592	20,504,952	11,703,785
	3,240,578	2,027,799	27,223,827	17,796,239
Total Credit Risk	53,916,562	47,001,748	452,948,542	412,493,641
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	4,001,465	5,027,269	50,018,313	62,840,862
Equity position risk	3,040,860	2,234,773	38,010,750	27,934,663
Foreign exchange risk	1,553,149	1,354,308	19,414,357	16,928,855
Total Market Risk	8,595,474	8,616,350	107,443,420	107,704,380
Operational Risk				
Capital requirement for operational risks	8,544,278	8,169,961	106,803,472	102,124,511
Total	71,056,314	63,788,059	667,195,434	622,322,532
	2016		2015	
	Required	Actual	Required	Actual
	%	%	%	%
Capital Adequacy Ratio				
CET1 to total RWA	6.00	16.79	6.00	17.20
Tier-1 capital to total RWA	7.50	16.79	7.50	17.20
Total capital to total RWA	10.00	19.33	10.00	19.43
Total capital plus CCB to total RWA	10.65	19.33	10.25	19.43

** As SBP capital requirement plus CCB of 10.65% (10.25% in 2015) 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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For the year ended December 31, 2016

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 corporate and commercial borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, bank revamped its 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.

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

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control 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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For the year ended December 31, 2016

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.

	2016					
	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	13,900,829	3.78	37,843,052	4.84	2,273,174	0.74
Textile	40,028,820	10.89	3,843,611	0.49	14,838,060	4.82
Chemical, petroleum and pharmaceuticals	63,385,948	17.24	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	16.45	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	38,374,745	10.44	70,634,380	9.04	24,718,069	8.05
	367,677,775	100	781,429,823	100	307,565,861	100
2015						
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Agri, feed, forestry , poultry	19,128,686	5.93	40,169,679	5.76	2,391,353	0.75
Textile	36,301,846	11.26	4,937,229	0.71	17,276,729	5.38
Chemical, petroleum and pharmaceuticals	47,146,649	14.62	5,157,525	0.74	31,330,237	9.76
Cement	3,110,694	0.96	760,123	0.11	1,082,209	0.34
Sugar	17,838,444	5.53	2,444,960	0.35	1,274,073	0.40
Footwear and leather garments	1,357,271	0.42	248,853	0.04	409,634	0.13
Automobile and transportation equipment	374,417	0.12	2,259,226	0.32	875,228	0.27
Electronics and electrical appliances	3,269,086	1.01	661,480	0.09	2,264,269	0.71
Construction, engineering and steel	18,999,041	5.89	17,241,751	2.47	13,529,543	4.22
Power, energy, gas, water, sanitary	26,498,358	8.22	13,719,636	1.97	10,925,782	3.40
Wholesale, retail trade and distribution	16,107,820	4.99	33,703,769	4.84	6,016,509	1.87
Transport, storage and communication	51,602,228	16.00	3,108,171	0.45	29,641,455	9.24
Financial	8,312,633	2.58	9,416,474	1.35	151,147,649	47.10
Insurance	-	-	6,848,860	0.98	9,399	0.00
Services	2,932,655	0.91	55,795,320	8.01	23,828,276	7.43
Individuals	21,618,341	6.70	452,328,331	64.91	2,164,465	0.67
Others	47,930,342	14.88	48,003,542	6.89	26,721,385	8.30
	322,528,511	100	696,804,929	100	320,888,195	100

Notes to and forming part of the Unconsolidated Financial Statements For the year ended December 31, 2016

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
43.1.1.2 Segment by sector						
Public / Government	85,242,013	23.18	64,448,485	8.25	67,705,171	22.01
Private	282,435,762	76.82	716,981,338	91.75	239,860,690	77.99
	<u>367,677,775</u>	<u>100</u>	<u>781,429,823</u>	<u>100</u>	<u>307,565,861</u>	<u>100</u>

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Public / Government	69,100,256	21.42	45,814,678	6.57	81,904,830	25.52
Private	253,428,255	78.58	650,990,251	93.43	238,983,365	74.48
	<u>322,528,511</u>	<u>100</u>	<u>696,804,929</u>	<u>100</u>	<u>320,888,195</u>	<u>100</u>

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

	2016		2015	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agri, feed, forestry , poultry	309,578	271,978	513,945	513,945
Textile	3,312,843	3,310,628	3,834,715	3,834,368
Chemical, petroleum and pharmaceuticals	370,687	370,687	141,321	141,321
Sugar	897,727	897,727	25,834	25,834
Footwear and leather garments	20,418	20,418	42,569	42,569
Automobile and transportation equipment	6,998	6,998	20,565	19,746
Electronics and electrical appliances	276,504	276,504	280,202	280,202
Construction, engineering and steel	1,337,372	1,337,372	1,486,015	1,486,015
Power (electricity), gas, water, sanitary	1,899	1,899	1,899	1,899
Wholesale, retail trade and distribution	3,108,281	3,034,196	3,325,943	3,315,629
Transport, storage and communication	68,597	68,596	90,865	90,848
Financial	765,272	765,272	798,668	798,668
Services	751,386	750,262	219,318	219,318
Individuals	2,944,690	2,930,873	2,923,719	2,911,209
Others	7,515,998	4,894,681	6,662,518	4,166,209
	<u>21,688,250</u>	<u>18,938,091</u>	<u>20,368,096</u>	<u>17,847,780</u>

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	21,048,425	18,298,266	19,728,271	17,207,955
	<u>21,688,250</u>	<u>18,938,091</u>	<u>20,368,096</u>	<u>17,847,780</u>

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43.1.1.5 Geographical segment analysis

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & 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>

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan	41,933,567	976,094,594	131,502,489	312,196,397
South Asia	253,907	16,590,625	3,917,423	6,108,032
Middle East	141,065	11,724,921	2,382,026	2,583,766
	<u>42,328,539</u>	<u>1,004,410,140</u>	<u>137,801,938</u>	<u>320,888,195</u>

Total assets employed include intra group items of Rs. NIL (2015: Rs. NIL).

43.1.2 Credit Risk - General Disclosures

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

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

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

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

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

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

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Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

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

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Credit Exposures subject to Standardized approach

Exposures	Rating	2016			2015		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
(Rupees in '000)							
Corporate	1	42,872,417	-	42,872,417	19,203,731	-	19,203,731
	2	11,323,962	-	11,323,962	9,582,321	-	9,582,321
	3,4	706,240	-	706,240	1,085,755	-	1,085,755
	5,6	-	-	-	-	-	-
	Unrated	174,336,987	-	174,336,987	176,428,241	-	176,428,241
Bank	1	23,957,603	-	23,957,603	19,359,572	-	19,359,572
	2,3	893,628	-	893,628	3,521,336	-	3,521,336
	4,5	2,687,246	-	2,687,246	2,288,565	-	2,288,565
	6	-	-	-	464,416	-	464,416
	Unrated	2,394,878	-	2,394,878	753,505	-	753,505
Public Sector Entities in Pakistan	1	15,199,910	-	15,199,910	10,050,434	-	10,050,434
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	70,071,298	64,246,970	5,824,328	58,524,451	54,534,596	3,989,855
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash		72,398,163	-	72,398,163	58,645,841	-	58,645,841
	1	5,416,153	-	5,416,153	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	6,259,398	-	6,259,398	10,535,659	-	10,535,659
	6	-	-	-	-	-	-
	Unrated	-	-	-	941,056	-	941,056
Mortgage		4,328,225	-	4,328,225	3,755,716	-	3,755,716
Retail		23,552,024	-	23,552,024	21,573,155	-	21,573,155

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.

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

Concentration of risk

Out of the total financial assets of Rs. 995,678.169 million (2015: Rs. 947,469.365 million) the financial assets which are subject to credit risk amounting to Rs. 978,131.622 million (2015: Rs. 931,190.535 million). To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 498,803.349 million (2015: Rs. 507,879.264 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 40,680.845 million (2015: Rs. 29,843.827 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, 2016 the composition of equity investments, subsidiaries and associated companies is as follows:

Composition of equity investments

Exposures	Held for trading	Available for Sale	Subsidiary and Associates
(Rupees in '000)			
Equity investments – publicly traded	145,662	18,725,186	1,112,998
Equity investments - others	-	205,890	10,578,185
Total value	145,662	18,931,076	11,691,183

Classification of equity investments

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

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

Policies, valuation and accounting of equity investments

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

In accordance with the requirements of the State Bank of Pakistan, quoted 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.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

The cumulative realized gain of Rs. 1,984.868 million has been credited to profit & loss account from sale of equity securities; however unrealized gain of Rs. 4,301.298 million was recognized in the balance sheet in respect of "AFS" equity securities. Further provision for impairment in value of equity investments amounting to Rs. 663.073 million has been reversed to profit and loss account.

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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, PVBVP, 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

	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>

	2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	950,023,526	807,891,035	(4,822,266)	137,310,225
Sri Lankan Rupee	16,591,060	16,590,625	(62)	373
United States Dollar	30,857,290	28,362,688	(1,813,945)	680,657
Arab Emirates Dirham	5,147,042	5,283,587	(280)	(136,825)
Pound Sterling	997,855	3,964,346	2,933,931	(32,560)
Japanese Yen	51,446	7	(52,740)	(1,301)
Euro	657,493	4,515,914	3,815,780	(42,641)
Other currencies	84,428	-	(60,418)	24,010
	<u>1,004,410,140</u>	<u>866,608,202</u>	<u>-</u>	<u>137,801,938</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, 2016

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	2016							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	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
Lendings 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	252,289,193	12,170,079	43,808,618	93,048,500	14,393,084	39,925,663	27,236,787	-	21,547,057
Advances - net	7.20%	347,979,845	252,380,507	52,245,965	4,198,638	13,741,406	9,203,235	6,010,648	5,587,662	1,818,536	2,795,248	-
Other assets - net		22,085,014	-	-	-	-	-	-	-	-	-	22,085,014
		995,678,169	300,771,567	304,535,158	16,368,717	57,550,024	102,251,735	20,403,792	45,514,325	29,063,323	2,795,248	116,434,340
Liabilities												
Bills payable		12,843,552	-	-	-	3,127,287	3,079,789	-	-	-	-	12,843,552
Borrowings	1% to 10.50%	74,515,383	42,784,630	10,384,163	15,139,514	15,009,194	190,322	1,143,180	678,983	-	-	298,031,727
Deposits and other accounts	3.75% to 11.64%	781,429,823	443,625,746	12,819,434	9,931,237	-	-	-	-	-	-	26,309,799
Other liabilities		26,309,799	-	-	-	-	-	-	-	-	-	-
		895,098,557	486,410,376	23,203,597	25,070,751	18,136,481	3,270,111	1,143,180	678,983	-	-	337,185,078
On-balance sheet gap		100,579,612	(185,638,809)	281,331,561	(8,702,034)	39,413,543	98,981,624	19,260,552	44,835,342	29,063,323	2,795,248	(220,750,738)
Off-balance sheet financial instruments												
FX options purchase		1,034,994	284,169	395,008	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	395,008	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	9,692,875	4,585,281	207,603	-	467,590	-	-	-
Off-balance sheet gap		(1,129,801)	(2,008,026)	5,612,635	(401,823)	(4,332,587)	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(187,646,835)	(187,646,835)	286,944,196	(9,103,857)	35,080,956	98,981,624	19,260,552	44,835,342	29,063,323	2,795,248	-
Cumulative yield / interest risk sensitivity gap		(187,646,835)	(187,646,835)	99,297,361	90,193,504	125,274,460	224,256,084	243,516,636	288,351,978	317,405,301	320,200,549	-

Notes to and forming part of the Unconsolidated Financial Statements
For the year ended December 31, 2016

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	2015										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													
	60,567,695	4,492,651	-	-	-	-	-	-	-	-	-	-	56,075,044
Cash and balances with treasury banks	3,611,185	1,514,764	-	-	-	-	-	-	-	-	-	-	2,096,421
Balances with other banks	3,079,564	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	553,903,809	49,366,398	175,411,096	5,148,237	136,039,491	45,424,249	68,874,976	14,684,365	43,999,554	-	-	-	14,955,443
Investments - net	304,121,938	213,650,613	34,359,516	4,661,211	4,609,251	15,116,420	11,380,142	12,710,612	4,947,656	-	-	-	-
Advances - net	22,185,174	-	-	-	-	-	-	-	-	-	-	-	22,185,174
Other assets - net	947,469,365	272,103,990	209,770,612	9,809,448	140,648,742	60,540,669	80,255,118	27,394,977	48,947,210	2,686,517	-	-	95,312,082
	11,888,776	-	-	-	-	-	-	-	-	-	-	-	11,888,776
Bills payable	118,039,748	85,656,671	8,037,473	19,401,260	2,495,439	2,448,905	-	-	-	-	-	-	-
Borrowings	696,804,929	405,603,430	12,294,074	8,651,355	11,549,859	603,999	77,120	236,041	-	-	-	-	257,789,051
Deposits and other accounts	24,826,422	-	-	-	-	-	-	-	-	-	-	-	24,826,422
Other liabilities	851,559,875	491,260,101	20,331,547	28,062,615	14,045,298	3,052,904	77,120	236,041	-	-	-	-	294,504,249
	95,909,490	(219,156,111)	189,439,065	(18,243,167)	126,603,444	57,487,765	80,177,998	27,155,936	48,947,210	2,686,517	-	-	(199,192,167)
On-balance sheet gap													
Off-balance sheet financial instruments													
FX options purchase													
	1,460,979	541,490	512,581	243,155	163,753	-	-	-	-	-	-	-	-
FX options sale	75,975,136	34,243,014	28,481,004	12,914,706	336,412	-	-	-	-	-	-	-	-
Foreign exchange contracts Purchase	77,436,115	34,784,504	28,993,585	13,157,861	500,165	-	-	-	-	-	-	-	-
	1,460,979	541,490	512,581	243,155	163,753	-	-	-	-	-	-	-	-
Foreign exchange contracts Sale	71,836,248	33,101,220	27,661,638	3,327,242	7,746,148	-	-	-	-	-	-	-	-
	73,297,227	33,642,710	28,174,219	3,570,397	7,909,901	-	-	-	-	-	-	-	-
	4,138,888	1,141,794	819,366	9,587,464	(7,409,736)	-	-	-	-	-	-	-	-
Off-balance sheet gap													
Total yield / interest risk sensitivity gap		(218,014,317)	190,258,431	(8,655,703)	119,193,708	57,487,765	80,177,998	27,155,936	48,947,210	2,686,517	-	-	-
Cumulative yield / interest risk sensitivity gap		(218,014,317)	(27,755,886)	(66,411,589)	82,782,119	140,269,884	220,447,882	247,606,818	296,554,028	299,240,545	-	-	-

Notes to and forming part of the Unconsolidated Financial Statements

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Reconciliation to total assets	2016 (Rupees in '000)	2015	Reconciliation to total liabilities	2016 (Rupees in '000)	2015
Balance as per balance sheet	1,051,813,681	1,004,410,140	Balance as per balance sheet	910,187,056	866,608,202
Less: Non financial assets			Less: Non financial liabilities		
Investments	11,691,183	11,792,123	Other liabilities	3,828,284	3,671,738
Operating fixed assets	32,752,672	29,949,890	Deferred tax liability	11,260,215	11,376,589
Other assets	11,691,657	15,198,762		15,088,499	15,048,327
	56,135,512	56,940,775			
Total financial assets	995,678,169	947,469,365	Total financial liabilities	895,098,557	851,559,875

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. MCB Bank also conducts Liquidity Risk Analysis on regular basis. MCB liquidity Risk Policy envisages to project the Bank's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling statement of financial position changes. MCB performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. MCB's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.

Intraday Liquidity Management

Intraday liquidity management is about managing the daily payments and cash flows. Bank has policies to ensure that sufficient cash is maintained during the day to make payments through local payment system. The policy of the Bank is to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet obligations, repay depositors and fulfill commitments.

Managing Funding Sources

Managing funding sources, as per policy MCB maintain a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash flows for meeting unexpected liquidity requirement. As a part of liquidity management MCB maintains borrowing relationships to ensure the continued access to diverse market of funding sources. MCB's sound credit rating together with excellent market reputation has enabled MCB to secure ample call lines with local and foreign banks. The level of liquidity reserves as per regulatory requirements also mitigates risks. MCB's investment in marketable securities is much higher than the Statutory Liquidity requirements.

Notes to and forming part of the Unconsolidated Financial Statements
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43.4.1 Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

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	-	-	-	-	-	-	-	-
Lending 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	347,979,845	46,016,550	36,164,886	19,206,970	27,987,533	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	33,776,671	8,649,116	10,581,428	1,628,815	3,932,198	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	30,138,083	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	809,396,845	26,789,777	31,358,351	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, 2016

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

2015

	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	60,567,695	60,567,695	-	-	-	-	-	-	-	-
Balances with other banks	3,611,185	3,611,185	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,079,564	3,079,564	-	-	-	-	-	-	-	-
Investments - net	565,695,932	51,177,071	177,413,993	2,318,415	136,161,137	57,785,697	69,000,742	14,684,366	45,362,388	11,792,123
Advances - net	304,121,938	47,060,711	43,165,203	17,673,390	5,735,917	61,103,393	54,011,169	54,865,968	17,642,818	2,863,369
Operating fixed assets	29,949,890	165,109	330,217	495,326	990,651	1,981,302	1,981,302	3,962,604	9,906,510	10,136,869
Deferred tax assets	436,221	4,183	8,368	12,551	25,103	50,206	50,206	100,412	185,192	-
Other assets - net	37,383,936	9,934,752	10,717,266	6,926,065	3,012,943	-	-	6,792,910	-	-
	1,004,846,361	175,600,270	231,635,047	27,425,747	145,925,751	120,920,598	125,043,419	80,406,260	73,096,908	24,792,361
Liabilities										
Bills payable	11,888,776	11,888,776	-	-	-	-	-	-	-	-
Borrowings	118,039,748	85,656,671	8,037,473	19,401,260	2,495,439	2,448,905	-	-	-	-
Deposits and other accounts	696,804,929	663,392,481	12,294,074	8,651,355	11,549,859	603,999	77,120	236,041	-	-
Deferred tax liabilities	11,812,810	16,761	54,880	48,377	1,445,797	1,078,567	2,801,208	2,705,666	3,022,805	638,749
Other liabilities	28,498,160	12,706,856	3,181,566	5,439,762	2,190,585	2,799,523	363,944	694,598	1,121,326	-
	867,044,423	773,661,545	23,567,993	33,540,754	17,681,680	6,930,994	3,242,272	3,636,305	4,144,131	638,749
Net assets	137,801,938	(586,061,275)	208,067,054	(6,115,007)	128,244,071	113,989,604	121,801,147	76,769,955	68,952,777	24,153,612
Share capital	11,130,307									
Reserves	51,309,081									
Unappropriated profit	50,746,685									
Surplus on revaluation of assets - net of tax	24,615,865									
	137,801,938									

Notes to and forming part of the Unconsolidated Financial Statements
For the year ended December 31, 2016

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	74,222,347	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	347,979,845	66,710,791	81,864,313	29,609,016	52,133,135	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	33,776,671	8,649,116	10,581,428	1,628,815	3,932,198	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									

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2016

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

2015

	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	60,567,695									
Balances with other banks	3,611,185	60,567,695								
Lendings to financial Institutions	3,079,564	3,611,185								
Investments - net	565,695,932	3,079,564								
Advances - net	304,121,938	51,177,071	177,413,993	2,318,415	136,161,137	57,785,697	69,000,742	14,684,366	45,362,388	11,792,123
Operating fixed assets	29,949,890	61,201,113	75,599,371	43,631,993	21,740,519	34,086,086	27,133,563	28,353,193	9,493,330	2,882,770
Deferred tax assets	436,221	165,109	330,217	495,326	990,651	1,981,302	1,981,302	3,962,604	9,906,510	10,136,869
Other assets - net	37,383,936	4,183	8,368	12,551	25,103	50,206	50,206	100,412	185,192	-
	1,004,846,361	189,740,672	264,069,215	53,384,350	161,930,353	93,903,291	98,165,813	53,893,485	64,947,420	24,811,762
Liabilities										
Bills payable	11,888,776	11,888,776								
Borrowings	118,039,748	85,656,671	8,037,473	19,401,260	2,495,439	2,448,905				
Deposits and other accounts	696,804,929	45,065,055	38,198,308	25,595,636	11,549,859	173,247,672	172,720,793	172,879,715	57,547,891	-
Deferred tax liabilities	11,812,810	16,761	54,880	48,377	1,445,797	1,078,567	2,801,208	2,705,666	3,022,805	638,749
Other liabilities	28,498,160	12,706,856	3,181,566	5,439,762	2,190,585	2,799,523	363,944	694,598	1,121,326	-
	867,044,423	155,334,119	49,472,227	50,485,035	17,681,680	179,574,667	175,885,945	176,279,979	61,692,022	638,749
Net assets	137,801,938	34,406,553	214,596,988	2,899,315	144,248,673	(85,671,376)	(77,720,132)	(122,386,494)	3,255,398	24,173,013
Share capital	11,130,307									
Reserves	51,309,081									
Unappropriated profit	50,746,685									
Surplus on revaluation of assets - net of tax	24,615,665									
	137,801,938									

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, 2016

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 and rearranged in these unconsolidated financial statements due to demerger of Islamic operations as disclosed in note 9.11 and application of SBP BPRD Circular Letter No. 05 of 2016 dated February 29, 2016. No significant reclassification (excluding impact of demerger) has been made except for as follows:

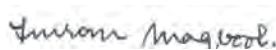
Description	Amount (Rupees in '000)	Reclassified	
		From	To
Depreciation and insurance expenses on Ijara assets	307,650	Administrative expenses	Mark-up / return / interest earned
Rental income on Ijarah assets	405,473	Fee, commission and brokerage income	Mark-up / return / interest earned

45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 08, 2017 has announced a final cash dividend in respect of the year ended December 31, 2016 of Rs. 4.00 per share (2015: Rs. 4.00 per share). These unconsolidated financial statements for the year ended December 31, 2016 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 08, 2017.



Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Muhammad Ali Zeb
Director



Irfan Ahmed Hashmi
Director

1. Particulars of Investments in listed companies & mutual funds-available for sale

Investee Entities	Note	Number of shares	Paid-up value per share (Rupees)	Total paid-up (Rupees in '000)	Cost as at December 31, 2016
1 Fully Paid-up Preference Shares					
Azgard Nine Limited		1,160,241	10	11,602	11,602
Aisha Steel Mills Limited		168,286	10	1,683	1,683
Masood Textile Mills Limited		5,000,000	10	50,000	50,000
Fully Paid-up Ordinary Shares					
Abbott Laboratories (Pakistan) Limited		632,700	10	6,327	507,393
Allied Bank Limited		5,325,400	10	53,254	589,058
Al Shaheer Corporation		4,827,500	10	48,275	275,979
Attock Petroleum Limited		901,626	10	9,016	462,218
Attock Refinery Limited		945,700	10	9,457	322,543
Bank Alfalah Limited		11,816,000	10	118,160	351,197
Bank Al-Habib Limited		28	10	0	1
Bestway Cement Limited		1,673,500	10	16,735	297,770
Crescent Steel and Allied Products Limited		3,176,700	10	31,767	405,068
Dawood Hercules Corporation Limited		3,569,300	10	35,693	475,523
Dolmen City REIT		15,879,804	10	158,798	174,678
Engro Corporation Limited		1,690,200	10	16,902	534,806
Engro Fertilizers Limited		6,510,500	10	65,105	547,193
Engro Powergen Qadirpur Limited		905,000	10	9,050	31,295
Fatima Fertilizer Company Limited		10,783,500	10	107,835	417,257
Fauji Cement Company Limited		14,501,500	10	145,015	521,634
Fauji Fertilizer Bin Qasim Company Limited		1,389,000	10	13,890	74,414
Fauji Fertilizer Company Limited		10,155,000	10	101,550	1,169,420
Faysal Bank Limited		9,635,000	10	96,350	167,513
Fecto Cement Limited		3,210,500	10	32,105	300,705
Ferozsons Laboratories Limited		76,100	10	761	60,348
First Capital Mutual Fund		7,670	10	77	-
Habib Bank Limited		100	10	1	17
Habib Metropolitan Bank Limited		13,475,500	10	134,755	438,849
Hub Power Company Limited		4,277,500	10	42,775	461,067
Honda Atlas Cars (Pakistan) Limited		350,000	10	3,500	206,121
Hum Network Limited		13,848,500	10	138,485	225,280
IGI Insurance Limited		733,700	10	7,337	162,125
Indus Motor Company Limited		180,300	10	1,803	287,642
International Industries Limited		560,000	10	5,600	76,157
International Steels Limited		1,600,500	10	16,005	66,530
K-Electric Limited		214,500	10	2,145	1,956
Kohinoor Textile Mills Limited		2,496,000	10	24,960	200,499
Kot Addu Power Company Limited		15,662,000	10	156,620	1,344,124
Mehr Dastgir Textile Mills Limited		1,616,912	10	16,169	16,169
Millat Tractor Limited		934,300	10	9,343	521,660
National Bank of Pakistan		4,871,000	10	48,710	341,685
National Refinery Limited		92,000	10	920	52,960
Nestle Pakistan Limited		40,100	10	401	312,614
Next Capital Limited		1,950,000	10	19,500	19,500
Oil & Gas Development Company Limited		4,411,035	10	44,110	836,537
Pak Elektron Limited		7,121,125	10	71,211	544,489
Pakistan Oilfields Limited		195	10	2	73
Pakistan Petroleum Limited		2,184,718	10	21,847	467,345
Packages Limited		602,800	10	6,028	392,776
Pakistan National Shipping Corporation		700	10	7	71
Pakistan Reinsurance Company Limited		5,593,000	10	55,930	201,276
Pakistan Telecommunication Company Limited		15,465,000	10	154,650	348,666
PICIC Investment Fund		20,548,500	10	205,485	293,361
Pioneer Cement Limited		350,100	10	3,501	36,937
Rafhan Maize Products Limited		52,147	10	521	438,962
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		29,666,010	10	296,660	1,186,738
Sui Southern Gas Company Limited		10,520,000	10	105,200	408,780
Treet Corporation Limited		2,923,500	10	29,235	198,475
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Pakistan Foods Limited		867	10	9	1,364
United Bank Limited		1,381,607	10	13,816	319,464
Zulfiqar Industries Limited		35,117	10	351	3,556
Carrying value before revaluation & provision					18,719,933
Provision for diminution in value of investments					(1,686,448)
Surplus on revaluation of securities					4,294,962
Market value as at December 31, 2016					21,328,447

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, 2016
National Investments Trust	National Investment Trust Limited	110,602	50	5,530	5,253
Carrying value before revaluation & provision					5,253
Provision for diminution in value of investments					(1,907)
Surplus on revaluation of securities					6,336
Market value as at December 31, 2016					9,682

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, 2016
Al Shaheer Corporation	242,500	10	2,425	13,457
Engro Corporation Ltd.	47,700	10	477	15,049
Engro Fertilizers Limited	122,500	10	1,225	8,135
Indus Motor Company Limited	5,050	10	51	7,949
Millat Tractor Limited	18,400	10	184	16,512
National Refinery Limited	500	10	5	280
Pak Elektron Limited	350,000	10	3,500	24,774
Pakistan State Oil Corporation	76,100	10	761	32,325
Pakistan Telecommunication Company Limited	92,000	10	920	1,657
Sui Northern Gas Pipelines Limited	200,000	10	2,000	16,502
Treet Corporation Limited	137,500	10	1,375	9,022
				<u>145,662</u>

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, 2016	Net Asset Value of total investment	Based on audited 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	19,371	June 30, 2016	Mr. Ashfaq A. Berdi
Central Depository Company of Pakistan Limited	10.00%	10,000,000	10,000	236,302	June 30, 2016	Mr. Mohammad Hanif Jakhura
			21,500			

**Shareholding upto 10%
Fully paid up Ordinary Shares/
Certificates/ Units**

First Capital Investment Limited		275,000	2,500	3,839	June 30, 2016	Mr. Shahzad Jawahar
First Women Bank Limited		23,095,324	63,300	220,791	September 30, 2016	Ms. Tahira Raza
National Institute of Facilitation Technology Private Limited		2,266,607	1,526	74,932	June 30, 2016	Mr. Haider Wahab
National Investment Trust Limited		79,200	100	719,783	June 30, 2016	Mr. Shahid Ghaffar
ISE Towers REIT Management Company Limited		3,034,603	30,346	34,420	September 30, 2016	Mr. Mian Ayyaz Afzal
Society for Worldwide Inter Fund Transfer (SWIFT)		18	1,738	7,004	December 31, 2015	Mr. Gottfried Leibbrandt
Credit Information Bureau of Sri Lanka		3,000	21	27,951	December 31, 2015	Mr. K. A. Janka Lakmal
Lanka Clear (Private) Limited		100,000	699	6,177	March 31, 2016	Mr. Channa de Silva
Lanka Financial Services Bureau Limited		100,000	699	835	March 31, 2016	Mr. Mihindu Rajaratne
Pakistan Agro Storage and Services corporation		2,500	2,500	542,347	March 31, 2016	Mr. Muhammad Khan Khichi
SME Bank Limited*		1,490,619	10,106	-	September 30, 2016	Mr. Ihsan ul haq Khan
Arabian Sea Country Club*		500,000	5,000	-	June 30, 2015	Mr. Arif Ali Khan Abbasi
Al-Ameen Textile Mills Limited.*		19,700	197	-	Not available	Not available
Ayaz Textile Mills Limited.*		225,250	2,252	-	Not available	Not available
Custodian Management Services*		100,000	1,000	-	Not available	Not available
Musarrat Textile Mills Limited.*		3,604,500	36,045	-	Not available	Not available
Sadiqabad Textile Mills Limited.*		2,636,100	26,361	-	Not available	Not available
			184,390			

Cost of unlisted shares/ certificates/ units **205,890**

Provision against unlisted shares **(80,961)**

Carrying value of unlisted shares/ certificates/ units **124,929**

* These are fully provided unlisted shares.

Annexure - I

4 Particulars of investments in Term Finance Certificates and Sukuk Bonds- (refer note 9)

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2016	Name of Chief Executive
						(Rupees in'000)	
LISTED TERM FINANCE CERTIFICATES - available for sale							
Bank Alfalah Limited - issue no. IV	100,000	5,000	500,000,000	6 months KIBOR + 2.5% p.a.	0.26% of principal amount in the first 78 months and remaining principal in three semi-annual installments starting from the 84th month.	332,467	Mr. Atif Bajwa
Carrying value before revaluation						332,467	
Surplus on revaluation of securities						3,491	
Market value of listed TFCs (revalued amount)						335,958	
TERM FINANCE CERTIFICATES - held to maturity							
Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2016	Name of Chief Executive
						(Rupees in'000)	
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	481,535	Mr. Atif Bajwa
Bank Al Habib Limited - issue no. V	107,000	5,000	535,000,000	6 months KIBOR + 0.75% p.a.	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each	534,892	Mr. Mansoor Ali Khan
Askari Bank Limited - issue no. V	120,000	5,000	600,000,000	6 months KIBOR + 1.20% p.a.	0.36% of principal amount in the first 108 months and remaining principal in 2 equal semi annual installments of 49.82% each.	599,520	Syed Majeedullah Husaini
NIB Bank Limited	60,000	5,000	300,000,000	6 months KIBOR + 1.15% p.a.	Fifteen equal semi-annual installments of 0.02% of the Issue Amount for the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month.	299,700	Mr. Yameen Kerai
Azgard Nine Limited	13,878	5,000	69,390,000	NIL	In 7 semi-annual installments starting from 24th month	69,390	Mr. Ahmed Shaikh
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.	1,499,700	Mr. Nauman K. Dar
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	202,000	Mr. Naeemuddin Khan
Meezan Bank Limited	755	1,000,000	755,000,000	Expected 6 month KIBOR plus 70 – 75 bps	Bullet payment at the end of the tenth year	755,000	Mr. Irfan Siddiqui
Carrying value of TFCs - HTM						4,441,737	

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 Details of Bonds, Debentures and Federal Government Securities (refer note 9) - held to maturity

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency Amount ('000)	Carrying value as at December 31, 2016 (Rupees in '000)
	Principal	Interest				
Debentures						
Bank of Ceylon	At maturity	Half-yearly	6 Month Gross T Bill Rate + 1.25%	LKR	350,000	244,475
Sampath Bank	At maturity	Half-yearly	13.40%	LKR	64,610	45,130
NDB Bank	At maturity	Half-yearly	13.40%	LKR	62,760	43,838
NDB Bank	At maturity	Half-yearly	9.40%	LKR	180,000	125,730
Richard Pieris & Company PLC	At maturity	Half-yearly	10.75%	LKR	43,500	30,385
Siyapatha Finance Limited	At maturity	Half-yearly	8.90%	LKR	100,000	69,850
						559,408
Development Bonds						
Government of Sri Lanka	At maturity	Half-yearly	5.74%	LKR	903,720	631,248
Sukuk Bonds						
Quetta Textile Mills Limited Sukuk Bonds	In 12 equal semi-annual installments.	Half-yearly	6 Month KIBOR+1.50%	PKR	-	36,310
						36,310
Euro Bonds						
Islamic Republic of Pakistan - 2017 - Euro Bond	At maturity	Half-yearly	6.875%	US\$	21,765	2,276,537
Islamic Republic of Pakistan - 2025 - Euro Bond	At maturity	Half-yearly	8.250%	US\$	5,439	568,930
						2,845,467
Certificates of Deposits						
Central Bank of UAE	At maturity	At maturity	0.24%	AED	124,000	3,531,136

6 Investment in subsidiaries

Details of the Bank's subsidiary companies are as follows:

Name	% of holding	Country of incorporation	Year of incorporation
MCB Financial Services Limited	* 99.99	Pakistan	1992
MNET Services (Private) Limited	* 99.95	Pakistan	2001
MCB 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

* Remaining shares are held by certain individuals as nominees of the Bank.

7 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
2016							
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2016)	Pakistan	421,410	180,223	241,187	310,866	24,521	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2016)	Pakistan	39,243,700	21,809,380	17,434,320	6,884,905*	2,834,994	24.48%
2015							
Euronet Pakistan (Private) Limited (audited based on December 31, 2015)	Pakistan	318,361	101,825	216,536	303,076	21,879	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2015)	Pakistan	32,135,696	16,862,705	15,272,991	5,766,406*	2,178,858	27.59%

* 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 2016

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Interest/ Markup Written off	Other Fin. Reliefs Provided	Total
		CNIC No.			Principal	Intt/Acc/Map	Others	Total			
		Name									
1	Shaukat Ali & Anwer Bibi House # 40, Street # 3 Siddiqia Colony, Mauza Bela Basti, Lahore	Shaukat Ali Anwer Bibi	35202-2741202-7 35202-2592447-2	Muhammad Fazil Shaukat Ali	-	1,661	42	1,703	-	1,703	1,703
2	Ashad Mahmood Butt House # 196-B, G- Satellite Town, Rawalpindi	Ashad Mahmood Butt	27658-6571475-1	Asad Ali Butt	-	3,521	-	3,521	-	3,521	3,521
3	Pak Plywood Store Bank Stop, Walton Road, Lahore	Abdul Hameed	35201-2854297-9	Muhammad Sharif	-	902	155	1,057	-	1,057	1,057
4	Magoon Industries (Pvt.) Ltd. Al-Sadiq Building, New Wan Market, Rang Mahal, Lahore	Sheikh Umar Sadiq Magoon Sheikh Waqas Sadiq Magoon	35201-0222021-7 35201-8330226-1	Sheikh Shahid Pervaiz Magoon Sheikh Shahid Pervaiz Magoon	-	11,967	350	12,317	-	12,317	12,317
5	Intikhab Alam House # 40, Row-02, Sub-Block A, Block-I, Nazimabad, Karachi	Intikhab Alam	42101-2090641-7	Dilawar Khan	-	1,514	33	1,547	-	1,547	1,547
6	Dolphin Bakers Station Road, Larikana.	Ajeet Kumar Ahuja Muhammad Siddique Buledi	43203-1371837-3 43204-3469147-1	Nirmal Das Ahuja Muhammad Hassan Buledi	-	662	80	742	-	742	742
7	Union Impex 101, Ambar Plaza, Sindh Muslim Coop- erative Housing Society, Karachi.	Shella Kumar Mansha Ram	410-60-106926 43205-0279117-9	Behari Lal Basho Mal	-	599	20	619	-	619	619
8	Rashid Rasheed House # A-404, Block # 5, KDA Scheme # 24, Gulshan-e-Iqbal, Karachi.	Rashid Rasheed	42101-7810447-9	Abdul Rasheed	-	2,750	33	2,783	-	2,783	2,783
9	Mashallah Watch Shop # 9, New Alamgir Market, Lahore	Sheikh Muhammad Saeed	35202-2498381-7	Sheikh Abdul Rehman	-	568	-	568	-	568	568
10	Car Club House # 147 Phase V, Block B, DHA , Lahore	Choudary Taheem Majeed	35201-0223338-3	Choudary Abdul Majeed	8,990	1,322	-	10,312	-	696	696
11	Pioneer Jute Mills Office No. 12, 1st Floor Shan Arcade, Barkat Market, New Garden Town, Lahore.	Munir Ahmed Sheikh Muhammad Riaz Munawara Fatma Shahid Nadeem Mubashir Naeem Sheikh Iqbal Izzat	35202-5302951-7 35202-7150312-3 35202-5464865-6 35202-0110797-3 35202-9559572-9 35202-2969246-1	Sh. Muhammad Bashir Sh. Abdul Hameed Sh. Muhammad Riaz Sh. Muhammad Bashir Naeem Ahmed Sheikh Izzat Ullah	-	1,745	-	1,745	-	1,745	1,745
12	Gohar Traders House # 62, Block # 2, Sector All, Township, Lahore.	Zarar Khan	37405-3727141-5	Ajmal Khan	3,647	763	-	4,410	-	795	795
13	Zarar Khan House # 584, Street # 81-B, Sector 03, Gulshanabad, Adyala Road, Rawalpindi.	Altaf Hussain Tahira Altaf Arooj Muddasir Muhammad Mushtaq	35201-6157845-5 35201-5691333-4 35201-8624781-4 35201-3250764-3	Khadim Hussain Altaf Hussain Muddasir Iqbal Qamar Udi Din	-	3,977	343	4,320	-	4,320	4,320
14	Sherry Cool Industries 1-Km, Jorepul, Harbanspura Road, Lahore Cantt.	Muhammad Mushtaq	35201-3250764-3	Qamar Udi Din	-	1,693	55	1,748	-	1,748	1,748
15	Muhammad Mushtaq House # 72, Street # 01, Muhalla Salamat Pura, Lahore	Rao Mubashar Hayyat Khan	33106-9881146-9	Rao Khizar Hayat Khan	2,999	560	150	3,709	-	723	723
16	Baba Fareed Traders Chak # 554 Gb, Killan Wala Road, Near Bunglow Chowk, Mamukanjan Tehsil, Iandlianwala, Distt. Faisalabad.	Muhammad Zubair	35202-9215593-3	Muhammad Shafi	-	2,078	90	2,168	-	2,168	2,168
17	Muhammad Zubair 245-J, Wapda Town, Lahore	Mahmood Ahmad Shafoqat	33105-0367764-4	Muhammad Ismail	-	2,595	119	2,714	-	2,714	2,714
18	Al-Karam Trade Agency House # 323-Damspur, Rajana Road, Samundri, District, Faisalabad										

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		Name			Principal	Intt/Acc/Map	Others					Total
		GNIC No.										
19	Farhana Zafar House# 112, Street # 2, Cavalry Ground, Lahore	Farhana Zafar	35201-1166623-8	Zafar Iqbal	-	6,197	100	6,297	-	6,297	6,297	
20	Muhammad Arshad Lashari Plot #475-A,Block-G, Gulshan -e- Ravi Scheme, Lahore.	Muhammad Arshad Lashari	35202-8137639-7	Muhammad Sharif	-	1,389	88	1,477	-	1,477	1,477	
21	Abdul Hameed & Zanida Hameed Flat # B-18, 3Rd Floor, Sultan Complex, Plot # St-10-C, Block-14, Scheme # 24, Gulshan-E-Iqbal, Karachi	Abdul Hameed Zahida Hameed	42201-2803654-7 42201-7072995-4	Muhammad Sayeen Abdul Hameed	1,100	1,076	-	2,176	-	585	585	
22	Muhammad Khalid Obaidullah House # B-237, Block # 13-D/1,Kda Scheme # 24, Gulshan-E-Iqbal, Karachi	Muhammad Khalid Obaidullah Choudhry Muhammad Obaidullah	42000-0554135-7 42201-0716776-7	Muhammad Obaidullah Choudhry Muhammad Enayatullah	-	3,255	326	3,581	-	3,581	3,581	
23	Muhammad Asim Durrani House # F-107, Patel Para, Jahangir Road, Karachi	Muhammad Asim Durrani	42201-7224498-3	Ghulam Zamin Durrani	220	606	66	892	-	874	874	
24	Muhammad Shahid 1st Floor, Plot # E-41/1, Block-4, Gulshan-E-Iqbal, KDA Scheme # 24, Karachi	Muhammad Shahid	42000-0350646-9	Abdul Rashid	-	2,737	33	2,770	-	2,770	2,770	
25	Al Shahbaz Rice Mills Plot Nos. 148, 154, 155 & 156, Sindh Small Industries, Singhoro Road, Sanghar.	Ramesh Kumar	41207-9796139-9	Natho Mal	2,979	1,148	75	4,202	-	5,380	5,380	
26	Arsh International Plot # 7, Sector 12-D, North Karachi Industrial Area, Karachi.	Jameel Ahmed	42101-6086598-1	Muhammad Hussain	-	976	53	1,029	-	1,029	1,029	
27	Raja Amin Industries 86 Tariq Block New Garden Town, Lahore	Raja Muhammad Amin (Late)	212-44-000713	Raja Khan Zaman Khan (Late)	-	1,555	17	1,572	-	1,572	1,572	
28	Asif Lakhani House # 108/II, 7th Commercial Street, Phase IV, DHA, Karachi	Asif Lakhani	42201-0752107-9	Muhammad Iqbal Lakhani	-	7,089	34	7,123	-	7,123	7,123	
29	Inran Usman & Co. Thana Road Jalaipur Bhattian District Hafizabad	Muhammad Akram	34301-8831080-3	Nazir Ahmed	-	1,005	2	1,007	-	1,007	1,007	
30	Muslim Builders Office # 12/1, Civic center, West Canal Road, Gutwala, Faisalabad.	Muslim Aqeel	33104-6263869-7	Ali Ahmed Khan	1,999	1,181	-	3,180	-	1,115	1,115	
31	Kamoka Textiles (Pvt) Ltd. Islam Gaung, Opposite Officers Colony # 2 Faisalabad.	Naveed Zafar Muhammad Sohail Ashraf	33100-1699419-9 33100-0215250-5	Muhammad Zafar Uj Hassan Muhammad Ashraf	4,000	2,305	69	6,374	-	2,420	2,420	
32	Akash Traders Mohallah Mumtazabad, Main Road, Iandlianwala, Faisalabad	Ashfaq Ahmed	33106-0339354-5	Muhammad Shafi	1,000	847	39	1,886	-	825	825	
33	New Car Inn Main Susan Road Faisalabad	Muhammad Shoukat Ali	33302-2679903-1	Faqeer Muhammad	183	1,204	87	1,474	-	1,076	1,076	
34	Syed Kazim Raza House # SD-99, Lane # 6, Askari XI, Near Qasim Market Rawalpindi	Syed Kazim Raza	37406-1578094-7	Syed Raza Hussain	-	787	33	820	-	820	820	
35	Mujahid Masood Alam House # 184 & 185, Block-B, Phase-I, PCSIR Co-Operative Employees Housing Society, Lahore	Mujahid Masood Alam	35202-2810604-1	Zafar Hussain	-	2,833	50	2,883	-	2,883	2,883	

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		Name	CNIC No.		Principal	Intt/Acc/Mup	Others				
36	Mansoor-UJ-Hassan & Humna Nazly House # C-4, Sector # 11-B, North Karachi Township, Karachi	Mansoor-UJ-Hassan Humna Nazly	42101-0550127-9 42101-7172964-8	Mehmood-UJ-Hassan Mansoor-UJ-Hassan	6,000	6,515	33	12,548	-	6,515	6,515
37	Skin City Fatima Jumah Road, Small Industrial Estate Stalkot.	Muhammad Ansar Ashfaq Malik Inam Ullah Usman Javaid	34603-6339576-3 34101-2501559-1 34603-3673327-1	Muhammad Ashfaq Malik Aman Ullah Javaid Iqbal	-	633	67	700	-	700	700
38	Frontier Corporation (Pvt.) Ltd. Flat # 23-24 Peshawar Medical Center, Khayber Bazar, Peshawar	Abul Kalam Israr Ahmed	17301-6707071-1 17301-2645334-9	Abul Hassan Abul Kalam	-	2,399	317	2,716	-	2,716	2,716
39	Abdul Hameed House # E-1536, Block A-2, Civil Defense, Lahore-Cantt.	Abdul Hameed	35202-2626538-7	Abdul Majeed	859	644	97	1,600	-	726	726
40	Rizwan Salah-Ud-Din & Adnan Salah-Ud-Din, House # 80, Street # 79, New Shad Bagh, Lahore.	Rizwan Salah-Ud-Din Adnan Salah-Ud-Din	35201-5613183-7 35202-2977444-1	Salah-Ud-Din Salah-Ud-Din	8,750	2,537	275	11,562	-	2,913	2,913
41	Arsian Ali Khan House # 509, Block AA, Phase IV, D.H.A., Lahore.	Arsian Ali Khan	35201-1305350-9	Zulfiqar Ali Khan	2,571	2,439	202	5,212	-	2,649	2,649
42	Shahid Iqbal Khan House # 46 - B, Street # 3, Awan Street, Al-Fatah Colony, New Shadbagh, Mauza Bhaganwala, Lahore	Shahid Iqbal Khan	35202-9455007-5	Muhammad Aslam Khan	-	749	80	829	-	829	829
43	Khalid Mehmood House # 38, Block-H, Canal House Scheme, Mouza Niaz Batg, Lahore	Khalid Mehmood	35202-2546582-1	Muhammad Hanif	663	1,328	67	2,058	-	1,198	1,198
44	Muhammad Mushtaq Lambawali Road Rahwali, Mohallah Nawari, Shahar, Gujranwala Cantt.	Mushtaq Ahmad	34101-4819970-9	Ghulam Rasool	-	783	22	805	-	805	805
45	Ali Traders Village And Po Rasool Pur Tarar, District Hafizabad.	Muhammad Ali Tarar Muhammad Atzal	34301-9167753-3 34301-1704269-7	Mansoor Ahmad Tarar Muhammad Khan	-	2,555	45	2,600	-	2,600	2,600
46	Usman Timber Main Ghazi Road, Near Gujrati Hotel Lahore Cantt.	Muhammad Younas	35201-1304853-1	Ghulam Muhammad	-	832	-	832	-	832	832
47	Ghulam Nabi Vestro House # II B 48, Bhiria Road Taluka, District Nausharo Feroz.	Ghulam Nabi Vistro	442-6823698-7	Ghulam Qayoom Vistro	523	641	-	1,164	523	641	1,164
48	Abdul Ghaffar Shop # 208, Katchery Road, Mianwali	Abdul Ghaffar	38302-1186387-9	Moula Baktsh	-	768	46	814	-	814	814
49	Rana Manzoor Ul Haq House # 134, Phase 3, Goshia-E-Ahbab, Multan Road Lahore.	Rana Manzoor Ul Haq	35202-4300519-1	Rana Muhammad Sharif	-	686	76	762	-	762	762
50	Muhammad Arif & Muhammad Imran Rizwani Street, Block A, Shaheenabad, Link G.T Road, Gujranwala.	Muhammad Arif Muhammad Imran	34101-2664264-3 34101-9039246-1	Abdul Majeed Abdul Majeed	2,300	700	17	3,017	-	712	712
51	Irshad Ahmed House # 104, Block # 2, Kairim Park Lahore.	Irshad Ahmed	35202-9336244-5	Muhammad Yousaf	153	1,924	69	2,146	-	1,858	1,858
52	Mumtaz Begum & Syed Zaigham Hayat House # 16, Block B-I, Gulberg-III, Lahore	Mumtaz Begum Syed Zaigham Hayat	61101-8608116-6 61101-1368335-1	Syed Zaigham Hayyat Syed Hassan Shah	-	904	253	1,157	-	1,157	1,157

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		Name	CNIC No.		Principal	Intt/Acc/Mup	Others	Total			
53	Mushiaq Ahmad House # 284, Block-X, Phase-3, DHA, Lahore.	Mushiaq Ahmad	35201-3352638-3	Abdul Haq	-	1,992	-	1,992	-	1,992	1,992
54	Uzma Aziz House # E-152/4, New Iqbal Park Hud-bast Moza Koray Tehsil Cantt, Lahore	Uzma Aziz	35202-7113598-8	Muhammad Sajjad	3,113	787	17	3,917	-	886	886
55	Nabi Brothers Chitrali Bazar, Gissa Khawani Bazar, Peshawar	Muhammad Nabi Said Nabi	17301-1672623-1 17301-4536768-5	Ghulam Nabi Ghulam Nabi	3,749	952	10	4,711	-	779	779
56	J-Mart House # 1067, Green Acre Farm Housing Scheme, Amir Pura, Raiwind Road, Lahore.	Syed Naseem Hussain Jafree Syed Athar Hussain Jafree Syed Muhammad Haidar Jafree Syed Raza Mehdi Jafree Syed Zain Abbas Jafree Syed Muhammad Kazim Jafree	35200-1462800-3 3410-42333577-3 35202-9944740-5 34101-2333574-3 35200-5009642-1 34104-8903594-3	Syed Abrar Hussain Jafree, Syed Abrar Hussain Jafree Syed Naseem Hussain Jafree Syed Athar Hussain Jafree Syed Naseem Hussain Jafree Syed Athar Hussain Jafree	-	1,431	50	1,481	-	1,481	1,481
57	J-Pharma House # 1067, Green Acre Farm Housing Scheme, Amir Pura, Raiwind Road, Lahore.	Syed Naseem Hussain Jafree	35200-1462800-3	Syed Abrar Hussain Jafree	-	2,749	50	2,799	-	2,799	2,799
58	Syed Naseem Hussain Jafree House # 1067, Green Acre Farm Housing Scheme, Amir Pura, Raiwind Road, Lahore.	Syed Naseem Hussain Jafree	35200-1462800-3	Syed Abrar Hussain Jafree	-	3,809	50	3,859	-	3,859	3,859
59	Farooq Ahmed Ghouri House # 41 New Officer Colony Saddar Cantt, Lahore.	Farooq Ahmed Ghouri	35201-1336993-5	Sardar Ali Ghouri	945	290	50	1,285	-	2,459	2,459
60	Farooq Hassan & Sughra Farooq House # 45-A, Canal View Cooperative Housing Society, Lahore.	Farooq Hassan Sughra Farooq	35202-2927219-7 35202-0674099-4	Ahmed Buksh Farooq Hassan	-	3,293	75	3,368	-	3,368	3,368
61	Talal Traders Ballo Khel Road Mohallah Khanki Khel Mianwali	Dawood Anwar Khan Niazi	38302-5273048-7	Muzafar Khan Niazi	158	656	-	814	-	668	668
62	Mansoor Ahmed & Rizwana Ahmed House # A-23-IV, Gulshan-E- Faisal Cooperative Housing Society, Bath Island Clifton, Karachi.	Mansoor Ahmed Rizwana Ahmed	42301-8923326-3 42301-5556460-6	Laeq Ahmed Laeq Ahmed	5,698	2,670	100	8,468	-	2,606	2,606
63	Mujeeb-Ur-Rehman & Tanveer Fatima House # B-121, Block 13, KDA Scheme-16, Federal "B" Area, Karachi.	Mujeeb-Ur-Rehman Tanveer Fatima	42101-1591315-3 42101-1478754-2	Zikr-Ur-Rehman Mujeeb-Ur-Rehman	6,996	1,795	121	8,912	-	3,854	3,854
64	Shakeel Ahmed & Nazir Ahmed Village Nihranwail P.O Gunaower, Tehsil Kamoke District Gujranwala	Shakeel Ahmed	34102-1387618-1	Safdar Hussain	-	971	45	1,016	-	1,016	1,016
65	Zafar Iqbal Machharawala Kaler, Tehsil Kamoke, District Gujranwala	Zafar Iqbal	34102-1227029-1	Muhammad Ibrahim	96	823	43	962	-	794	794
66	Tariq Mahmood Commission Shop Village Chak Virkan Post office Chaba Sandwan, Tehsil Nowshera Virkan.	Tariq Mahmood	34103-0495967-9	Manzoor Ahmad	1,000	593	-	1,593	-	598	598
67	Usman Muhammad Rana House # 23, Block H-I, Johar Town, Lahore	Usman Muhammad Rana	35202-2487322-5	Rana Muhammad Razaq	-	716	11	727	-	727	727
68	Shahadat Khan & Co. Tibba Road, Kale Ke Mandi, Tehsil & District Hafizabad.	Shahadat Khan	34301-9054786-5	Muhammad Hanif	-	1,098	-	1,098	-	1,098	1,098

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		CNIC No.			Principal	Int/Accr/Map	Others	Total				
		Name	Name									Principal
69	Javed & Co. Pathankay Road, Ahmed Nagar, Chatha, Tehsil Wazirabad	Muhammad Javed	34104-0978294-1	Muhammad Shafi	-	853	-	853	-	853	853	
70	Mohammad Ismail Near Ring Guh, Mohallah Manoo Khallia- bad, Taktary Bypass, Quetta	Mohammad Ismail	54400-1885149-9	Saifullah	418	261	-	679	178	-	371	549
71	Muhammad Farhan Khan Behria town, Phase 8, House # 906, Street # 30Sector D, Rawalpindi	Muhammad Farhan Khan	37405-8440147-1	Muhammad Suleman Khan	709	5,272	-	5,981	-	-	3,943	3,943
72	Arif Jamil Khan Islam Shahid Road Lalazar, Rawalpindi	Arif Jamil Khan	37405-2194606-5	Muhammad Jamil Khan	670	1,433	-	2,103	-	-	1,387	1,387
73	Sohail Israr Romee & Shahzad Israr House #94, Street # 3 Masjid Road, Race Course scheme, Rawalpindi	Sohail Israr Romee Shahzad Israr	37405-6224265-1 37405-9240033-7	Khawaja Israr ul Haq Khawaja Israr ul Haq	10,000	3,880	-	13,880	-	-	4,013	4,013
74	Malik Fida Muhammad 159, Judicial Colony, Main Road, Rawalpindi	Malik Fida Muhammad	37405-0298280-9	Malik Khair Muhammad Awan	5,413	1,400	-	6,813	-	-	620	620
75	Muhammad Qasim House # F 896, F Block, Satellite Town, Rawalpindi	Muhammad Qasim	37405-0277096-9	Muhammad Sadiq	5,422	1,575	17	7,014	-	-	1,433	1,433
76	Shahnoor Makhdoom Butt House # 745705, Nasheman-e-Iqbal Co-operative Housing Society, Lahore	Shahnoor Makhdoom Butt	35202-9164579-8	Makhdoom Butt	8,112	2,853	17	10,982	-	-	2,965	2,965
77	Hashim Siddique House # 339, Block-A, Revenue Em- ployees Co-operative Housing Society Ltd., Lahore.	Hashim Siddique	35202-3911988-3	Muhammad Attique Ullah Siddiqui	10,199	3,924	19	14,142	-	-	3,966	3,966
78	Khawar UR Rehman & Azra Rehman House # P-257, Professor Block, Shail- mar Park, Faisalabad	Khawar UR Rehman Azra Rehman	33100-9687254-7 33100-2361732-6	Saif Ur Rehman Khawar Ur Rehman	1,999	977	57	3,033	-	-	1,014	1,014
79	Maxim Trading Company Grain Market Kamalia District Toba Tek Singh	Tahir Mehmood Muhammad Saifdar Hussain	33100-9504906-7 33303-6256805-1	Ghulam Rasool Muhammad Hussain	6,996	1,917	93	9,006	-	-	2,135	2,135
80	Khalid Shahzad Petroleum Chak # 199/GB Post Office Samundari District, Faisalabad.	Muhammad Rizaz Shahid Mukhtar Ahmed	33105-3052215-7 33105-5764847-7	Mukhtar Ahmed Allah Baksh	1,199	1,887	93	3,179	-	-	1,313	1,313
81	Amin Fabrics Sattana Road Faisalabad.	Javed Muslim Muhammad Yaseen	33100-0608172-1 33100-8633555-5	Hafeez Ullah Ch. Allah Ditta	-	1,372	292	1,664	-	-	1,664	1,664
82	Maqsood Alam House # A-196, Block 13, KDA Scheme # 36, Gulistan-e-Johar, Karachi,	Muhammad Maqsood Alam	42201-0641517-3	Muhammad Rafi Alam	-	3,000	33	3,033	-	-	3,033	3,033
83	Haji Azam Goods Transport Company F-140, Near Labour Square, S.I.T.E. Karachi	Haji Muhammad Azam Butt	42101-4262634-5	Haji Nazeer Hussain	-	4,362	178	4,540	-	-	4,540	4,540
84	Ehsan Ullah & Co. Ghailah Mandi, Vanike Tarar, District Hafizabad.	Ehsan Ullah	34301-1653248-1	Muhammad Inayat	3,317	1,456	74	4,847	-	-	1,213	1,213
85	Saeed and Brothers Khalil Adda, Shekhupura Road Gujran- wala.	Saeed Ahmad	34101-653723-3	Bashir Ahmad	-	1,706	100	1,806	-	-	1,806	1,806

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		Name	CNIC No.		Principal	Int/ Accr/ Mup	Others					Total
86	Sheikh Altaf Hussain Village, P.O Rasool Pur Tarrar, Tehsil Pindi Bhattian, District Hafizabad.	Altaf Hussain Sheikh	34302-1213508-5	Sheikh Allah Ditta	1,335	1,563	63	2,961	-	1,666	1,666	
87	Rai Dil Raaj Commission Shop Thathe Carari post office, Rasool Pur tarar, Tehsil Pindi Bhattian, District Hafizabad.	Rai Zaigham Ali Kharal	34302-1211837-9	Irshad Ullah Kharal	1,898	719	62	2,679	-	1,461	1,461	
88	Waseem Waris House# 25, Chiragh Park, Shadbagh, Lahore	Waseem Waris	35202-0673933-5	Muhammad Waris	4,100	4,409	120	8,629	-	3,144	3,144	
89	Sheikh Amjad Rehman House #84, Block-AA, Phase-IV, DHA, Lahore	Sheikh Amjad Rehman	35201-1596183-7	Sheikh Abdul Rehman	-	5,531	72	5,603	-	5,603	5,603	
90	Muhammad Asif Nadeem Nadeem Park, Kala Khatal Road, Shahdara	Muhammad Asif Nadeem	35401-2494474-5	Khushi Muhammad	500	2,098	18	2,616	-	2,115	2,115	
91	Sajjid Hussain bhatti House # 36, Block-D, New Muslim Town, Lahore	Sajjid Hussain Bhatti	35202-2854230-3	Karam Hussain Bhatti	-	5,849	17	5,866	-	5,866	5,866	
92	Syed Khawar Ali Zaidi House # 65, Block-A/I, M.A. Johar Town, Lahore	Syed Khawar Ali Zaidi	35200-7755938-9	Syed Karar Ali Zaidi	-	1,799	16	1,815	-	1,815	1,815	
93	Syed Tafseer abbas Zaidi & Syed Tehseen Abbas Zaidi House # E-29-S-A, Ghausia Colony, Walton Road, Lahore Cantt.	Syed Tafseer abbas Zaidi Syed Tehseen Abbas Zaidi	35201-4904739-5 35201-4263980-3	Syed Haider Abbas Syed Haider Abbas	-	1,625	123	1,748	-	1,748	1,748	
94	Rana Abdus Samad Khan & Marium Bibi House #29, Farm House Lane, Near DHA EME Sector, Lahore.	Rana Abdus Samad Khan Marium Bibi	35202-9226709-1 34101-7389633-4	Sardar Khan Rana Abdus Samad Khan	-	2,228	168	2,396	-	2,396	2,396	
95	Mirza Rizwan Ahmed 108 C Model Town, Lahore	Mirza Rizwan Ahmed	35202-2947831-1	Mirza Naseem Ahmed	-	6,378	-	6,378	-	6,378	6,378	
96	Shahbaz Akhter House # 142, Block J, Gulberg III, Lahore	Shahbaz Akhter	35202-1148929-7	Rana M Rafiq	7,046	2,847	20	9,913	-	2,777	2,777	
97	Syed Mohsin Ali Shah Bokhari House # 27,28, Davis Road, Lahore	Syed Mohsin Ali Shah Bokhari	33100-7874227-9	Syed Sakhawat Ali Shah Bokhari	1,096	2,070	34	3,200	-	1,912	1,912	
98	Ali Haider House # 72, Block D, Phase 1, Wapda Town, Lahore	Ali Haider	35202-2709871-1	Akhtar Ali	-	1,930	494	2,424	-	2,424	2,424	
99	Muhammad Farooq House # 82, Kamran Block, Allama Iqbal Town, Lahore	Muhammad Farooq	35202-3000012-9	Ali Hassan	737	1,074	18	1,829	-	971	971	
100	Asia Sajjad & Sajjad Haider House # 607, Block B, Gulistan-e-Ravi, Lahore	Asia Sajjad Sajjad Haider	35202-4413897-6 35202-6609774-7	Sajjad Haider Syed Iftikhar Ali Shah	2,130	478	67	2,675	-	592	592	
101	Al-Badar Petroleum Main Sargodha Lahore Road, Mouza degar, Tehsil Kaloor Kot, District Bhakkar.	Muhammad Khan Ambreena Shabeer Yasir Irfat	38401-8845351-3 38401-0210449-2 38401-0368203-1	Ahmed Yar Shabeer Hussain Munir Hussain	2,798	648	80	3,526	-	761	761	
102	English Parda Cloth House 90-C, Civil Lines, Gujranwala.	Zafar Iqbal	34101-1342505-7	Muhammad Ibrahim	4,983	2,006	96	7,085	-	2,242	2,242	
103	Tanveer Traders Ghalla Mandi Wazirabad, Tehsil Wazirabad, District Gujranwala.	Muhammad Iftikhar Aslam	34104-2338238-1	Muhammad Aslam	-	2,051	2	2,053	-	2,053	2,053	

Annexure - II

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2016

(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	Total				
104	Sheikh Naveed Shaukat Baba Crockery, Satellite Town, Gujranwala.	Sheikh Muhammad Naveed Shaukat	34101-7910151-9	Sheikh Muhammad Shaukat	697	622	37	1,356	-	-	674	674
105	Mehar Ehsan Ullah & Co. Vanike Road, Koldarar, District Hafizabad	Mehar Ehsan Ullah	34301-1698372-3	Haji Habib Ullah	898	465	-	1,363	-	-	505	505
106	Asif Niaz Arain House # F-175/1, Block 5, KDA Scheme # 5, Clifton, Karachi	Asif Niaz Arain	42301-7967087-1	Niaz Ahmed Arain	1,365	1,106	77	2,548	-	-	1,833	1,833
107	Samina Muhammad Iqbal & Aqeel Flat # 302, 3rd Floor, Alpha Arcade, Cosmopolitan Cooperative Society, Jamsheeq Quarter, Karachi.	Samina Muhammad Iqbal Aqeel	42201-4406985-8 42201-2840526-9	Muhammad Iqbal Muhammad Iqbal	887	583	33	1,503	-	-	570	570
108	Muhammad Ameen Bandukda House # 9/III, Phase-VI, Khayaban-e-Badar, DHA Karachi,	Muhammad Ameen Bandukda	42301-3905668-1	Muhammad Yunus Bandukda	11,045	3,006	108	14,159	-	-	3,572	3,572
109	Ghurba Textiles KG-203/A, Block-B, Khando Goth, North Nazimabad, Karachi.	Kaiser Shafiqullah	42101-5139140-9	Muhammad Shafiqullah	2,432	2,392	33	4,857	-	-	1,839	1,839
110	Kaiser Shafiqullah House # IV-G, 1/3, Nazimabad # 4, Karachi.	Kaiser Shafiqullah	42101-5139140-9	Muhammad Shafiqullah	677	502	33	1,212	-	-	544	544
111	Rehman Traders House # 243/111, Gujjar Road, Mohallah Islampura, Narowal.	Mian Muhammad Younas	34501-0177534-3	Mian Muhammad Hussain	-	505	-	505	-	-	505	505
112	Mian Muhammad Mushtaq C-19 - A Old Officers Colony, Ghazi Road, Lahore Cantt	Mian Muhammad Mushtaq	35201-8070952-7	Abdul Aziz	-	1,208	134	1,342	-	-	1,342	1,342
113	Khawaja Foods (Pvt.) Ltd. 45/46 B, Shan Arcade, Barkat Market, New Garden Town, Lahore.	Zahid Waheed Khawaja Khalid Waheed Khawaja Abid Waheed Khawaja	35202-7668373-1 42301-4880813-9 42000-5536114-9	Abdul Waheed Khawaja Abdul Waheed Khawaja Abdul Waheed Khawaja	46,671	52,937	812	100,420	-	-	52,001	52,001
114	Obsons Pharmaceuticals 209-S, Kotlakhpat, Lahore	Inam Ullah Sheikh Mumtaz Begum Naeem Ullah Sheikh	35202-4068972-5 35202-4589745-6 35202-9876543-2	Ubaid Ullah Sheikh Haseeb Waqas Ubaid Ullah Sheikh	2,567	3,673	17	6,257	-	-	4,259	4,259
115	Abdul Ghafoor House # 69, Block A-III, Johar Town Lahore	Abdul Ghafoor	35202-2186638-7	Nasir Ud Din	155	1,432	17	1,604	-	-	1,336	1,336
116	Mukhtar Ahmed House # 76, Street # 2, Block-VI, New Satellite Town Sargodha	Mukhtar Ahmed	38401-0248927-9	Sardar Ahmed	-	574	-	574	-	-	574	574
117	Rehan Latif & Farhat Jabeen House # 32, Street # 07 - B, Block A, Faisal Town, Lahore	Rehan Latif Farhat Jabeen	35201-6479248-3 35201-1668763-8	Sheikh Latif Ahmed Sheikh Latif Ahmed	-	2,707	93	2,800	-	-	2,800	2,800
118	Mubashir Ahmed & Riffat Mubashar House # 23, Block T, KB Housing Society, Moza Gohawa, Tehsil Cantt, Lahore.	Mubashir Ahmed Riffat Mubashar	35200-1512722-1 35201-1367969-0	Muhammad Ali Mubashir Ahmed	643	755	17	1,415	-	-	698	698
119	Muhammad Ramzan Mughal Manzil, House # 1, Street # 2, Mohallah Muhammad Pura Jattan, Baghbanpura, Lahore	Muhammad Ramzan	35201-2796526-9	Choudary Chiragh Din	4,606	1,606	17	6,229	-	-	1,808	1,808
120	Nadeem Sadaat House# 10, Islamic Cottage, 12-Main Bastami Road, Sarmabad, Lahore	Nadeem Sadaat	35202-2955881-9	Saadat Ali Shah	-	1,131	17	1,148	-	-	1,148	1,148
					224,411	285,950	8,718	519,079	701	-	296,748	297,449

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							
	62,408	56,076	6,332	6,332	MCB IB Demerger	MCB Islamic Bank Limited	Lahore
	8,089	8,011	78	103	Auction/Quotation	Rashid & Assad (P) CO. WLL	Bahrain
	10,117	8,864	1,253	1,833	Auction	Karachi Auction Mart	Karachi
	231,497	231,102	395	4,722	Trade Off	NCR	Karachi
	4,428	4,088	340	300	Quotation	Imran & Company	Lahore
	5,057	3,712	1,345	1,001	Claim	Adamjee Insurance Company	Karachi
	321,596	311,853	9,743	14,291			
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000							
	113,427	112,422	1,005	4,528	Quotation	Different Buyers	
Vehicles							
Toyota Land Cruiser	26,000	20,800	5,200	7,100	Auction	Najam Aziz Sethi	Lahore
Toyota Hilux	1,784	1,094	690	1,512	Auction	M. Ilyas	Lahore
Toyota Hilux	1,530	1,224	306	1,242	Auction	M. Ilyas	Lahore
Toyota Corolla	1,486	1,189	297	1,010	Auction	Khurram Imtiaz	Lahore
Toyota Corolla	1,477	1,182	295	1,064	Auction	Muhammad Awais	Lahore
Toyota Corolla	1,427	1,141	286	989	Auction	Khurram Imtiaz	Lahore
Toyota Corolla	1,427	1,141	286	1,128	Auction	M. Aqib Zahoor	Lahore
Toyota Corolla	1,426	1,141	285	1,019	Auction	Mr. Nusrat Iqbal	Karachi
Toyota Corolla	1,426	1,141	285	1,111	Auction	Mr. Syed Riaz Ahmad	Karachi
Toyota Corolla	1,414	1,131	283	1,007	Auction	Mr. Irfan	Lahore
Toyota Corolla	1,402	1,121	281	1,010	Auction	M. Asghar	Lahore
Toyota Corolla	1,402	1,121	281	825	Auction	Adnan Naseer	Lahore
Toyota Corolla	1,389	1,111	278	970	Auction	Syed Kashif Zameer	Lahore
Toyota Corolla	1,389	1,111	278	968	Auction	Sultan Hassan Khan	Lahore
Toyota Corolla	1,367	1,093	274	1,044	Auction	Khurram Imtiaz	Lahore
Suzuki Cultus	921	651	270	477	Auction	Mr. Nusrat Iqbal	Karachi
Lexus ES 300	3,441	2,746	695	867	Auction	Jasim Ali A. Rasool	Bahrain
Toyota Corolla	1,804	120	1,684	1,683	MCB IB Demerger	MCB Islamic Bank Limited	Lahore
	52,512	40,258	12,254	25,026			
Other Vehicles having book value of less than Rs. 250,000 or cost Rs. 1,000,000							
	68,420	55,440	12,980	44,504			
Land/Buildings							
	514,950	3,239	511,711	504,985	Quotation	Yakoob Ahmed	Karachi
	8,489	259	8,230	7,307	Quotation	Nawab Ferosed	Karachi
	523,439	3,498	519,941	512,292			
	1,079,394	523,471	555,923	600,641			

Annexure - IV

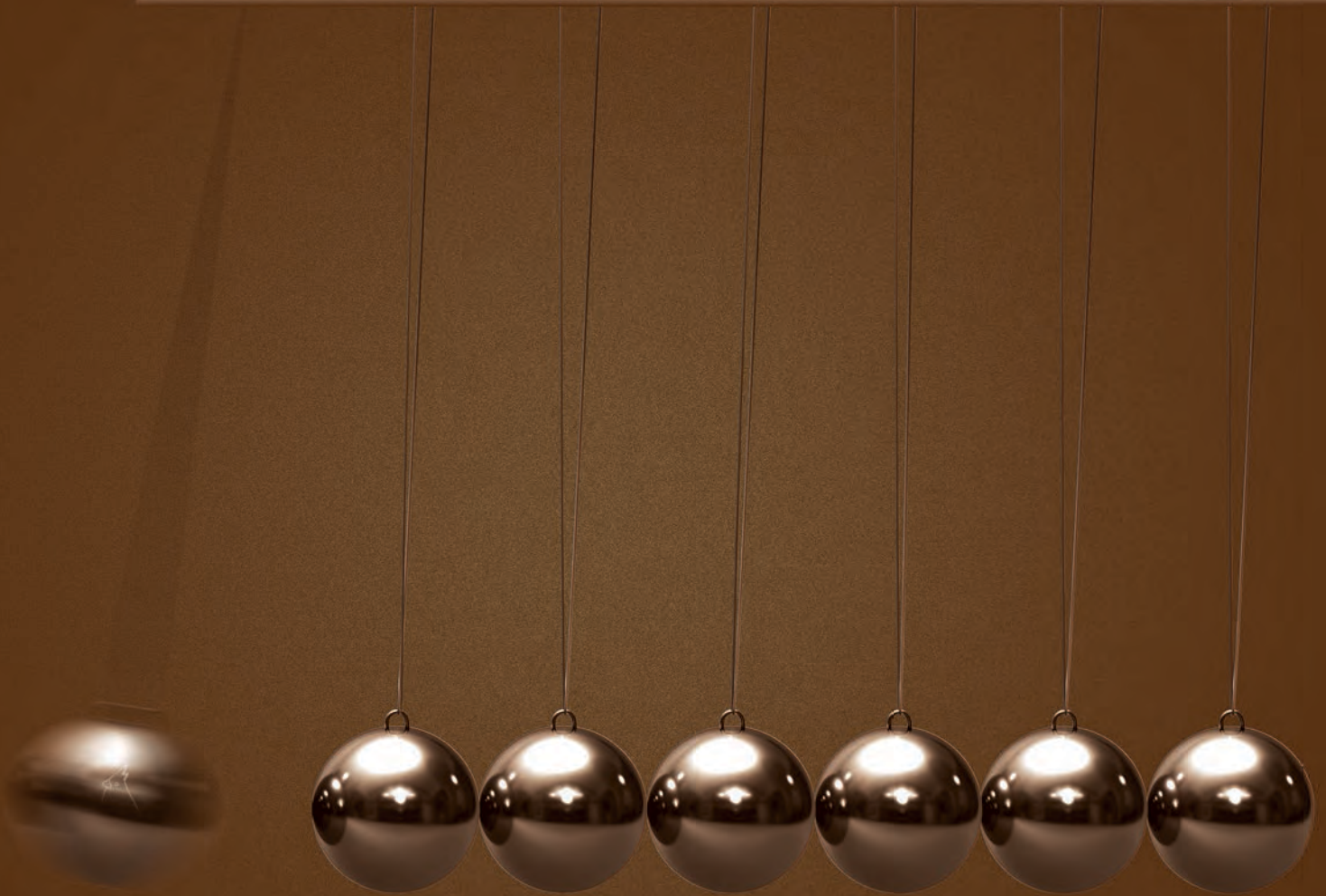
Summarized detail of the valuation of owned properties (refer note 11.2.1)

City	Land	Building	Total
Abbottabad	74,000	20,855	94,855
Attock	27,500	5,783	33,283
Bahawalpur	140,520	12,748	153,268
Chakwal	100,742	8,089	108,831
Dera Ghazi Khan	83,655	21,343	104,998
Faisalabad	780,586	253,358	1,033,944
Gawadar	2,381	9,224	11,605
Gujranwala	404,015	191,191	595,206
Gujrat	147,776	69,995	217,771
Hafizabad	31,000	15,558	46,558
Haroonabad	20,049	5,502	25,551
Haripur	34,605	4,127	38,732
Hyderabad	298,329	147,643	445,972
Islamabad	1,406,140	588,110	1,994,250
Jhang	172,639	83,165	255,804
Jhelum	157,000	69,394	226,394
Karachi	4,359,334	3,146,508	7,505,842
Kasur	12,155	2,504	14,659
Khanewal	13,310	2,870	16,180
Khanpur	24,596	14,525	39,121
Kohat	50,425	30,135	80,560
Lahore	6,039,305	3,555,527	9,594,832
Larkana	68,920	15,851	84,771
Mianwali	52,625	56,846	109,471
Mirpurkhas	17,160	3,617	20,777
Multan	232,681	358,812	591,493
Muridke	47,250	26,729	73,979
Murree	20,000	1,081	21,081
Muzaffarabad (A.K.)	154,025	53,370	207,395
Nawabshah	20,336	33,338	53,674
Okara	26,824	13,130	39,954
Peshawar	306,440	232,506	538,946
Quetta	395,139	62,443	457,582
Rahim Yar Khan	50,527	15,657	66,184
Rawalpindi	610,292	324,913	935,205
Sadiqabad	26,600	5,080	31,680
Sahiwal	108,019	43,238	151,257
Sargodha	200,954	130,758	331,712
Sheikhupura	97,334	-	97,334
Sialkot	146,348	55,250	201,598
Sukkur	51,250	86,957	138,207
Swat	63,000	8,795	71,795
Vehari	28,600	42,063	70,663
Wazirabad	17,940	7,678	25,618
Overseas	-	87,498	87,498
Grand total	17,122,326	9,923,764	27,046,090

A CALCULATED LIFE



Bank for Life



A CALCULATED LIFE
CONSOLIDATED FINANCIAL STATEMENTS 2016

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 and MCB Leasing Closed Joint Stock Company for the year ended December 31, 2016.

Profit and Appropriations

The profit before and after taxation for the year ended December 31, 2016 together with appropriations is as under:

	(Rs. in Million)
Profit before taxation	36,721
Taxation	14,547
Profit after taxation	22,174
Profit attributable to non-controlling interest	(111)
Profit attributable to ordinary shareholders	22,063
Un-appropriated profit brought forward	52,631
Re-measurement of defined benefits plans - net of tax	780
Transfer from surplus on revaluation of fixed assets - net of tax	49
	53,460
Profit available for appropriation	75,523
Appropriations:	
Statutory Reserve	2,206
Final Cash Dividend - December 2015	4,452
Interim Cash Dividend - March 2016	4,452
Interim Cash Dividend - June 2016	4,452
Interim Cash Dividend - September 2016	4,452
Total Appropriations	20,014
Un-appropriated profit carried forward	55,509

Earnings per Share

The consolidated financial statements reflect Rs. 19.82 earnings per share for the year under review.

Pattern of Shareholding

The pattern of shareholding as at December 31, 2016, as required u/s 236 of the Companies Ordinance, 1984 and Clause (xvi) of the Code of Corporate Governance is annexed with this annual report.

For and on behalf of the Board of Directors



Mian Mohammad Mansha
Chairman

February 08, 2017

ڈائریکٹرز رپورٹ:

بورڈ آف ڈائریکٹرز ایم سی بی بینک لمیٹڈ اور اس کے ذیلی ادارے ایم سی بی عارف حبیب سیونگ اور انسٹیٹوشن لمیٹڈ، ایم سی بی فنانشل سروسز لمیٹڈ، ایم نیٹ سروسز پرائیویٹ لمیٹڈ، ایم سی بی اسلامک بینک لمیٹڈ اور ایم سی بی لیزنگ کمپنی کی فنانشل انسٹیٹوشن پر اپنی رپورٹ پیش کرتے ہیں۔

منافع اور تخصیص:

31 دسمبر 2016 کو اختتام پذیر سال میں قبل اور بعد از ٹیکس منافع اور اس کی تخصیص کچھ اس طرح سے ہے:

ملین روپے	
36,721	منافع قبل از ٹیکس
14,547	ٹیکس
22,174	منافع بعد از ٹیکس
(111)	منافع برائے اقلیتی شیئر ہولڈرز
22,063	منافع برائے ایکویٹی شیئر ہولڈرز
52,631	اختتامی غیر تخصیص شدہ منافع
780	متعین ایپلائز بٹیفیٹ پلان کی دوبارہ پیمائش (خالص از ٹیکس)
49	پائیدار اثاثوں کی از سر نو تخمینے پر اضافی آمدن (خالص از ٹیکس)
53,460	
75,523	تخصیص کیلئے دستیاب منافع
	تخصیص:
2,206	قانونی ریزرو
4,452	حتی کیش ڈیویڈنڈ @ 4.0 روپے فی حصص۔ دسمبر 2015
4,452	عبوری کیش ڈیویڈنڈ @ 4.0 روپے فی حصص۔ مارچ 2016
4,452	عبوری کیش ڈیویڈنڈ @ 4.0 روپے فی حصص۔ جون 2016
4,452	عبوری کیش ڈیویڈنڈ @ 4.0 روپے فی حصص۔ ستمبر 2016
20,014	کل تخصیص
55,509	اختتامی غیر تخصیص شدہ منافع

فی حصص آمدنی

سال کی فی حصص آمدنی (EPS) 19.82 روپے رہی۔

شیئر ہولڈنگ کا انداز:

کمپنیز آرڈینینس 1984 کی شق 236 اور کوڈ آف کارپوریٹ گورننس کی کلاز (xv) کے تحت بینک کی 31 دسمبر 2016 کو شیئر ہولڈنگ کا انداز اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

مخانب و برائے بورڈ آف ڈائریکٹرز:

میاں محمد منشاء

چیئر مین ایم سی بی بینک لمیٹڈ،

8 فروری 2017

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Auditors' Report to the Members

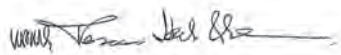
We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of MCB Bank Limited and its subsidiary companies (the Group) as at December 31, 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, 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, 2016 and the results of their operations for the year then ended.

The consolidated financial statements of MCB Bank Limited and its subsidiary companies for the year ended December 31, 2015 were audited by another auditor who had expressed an unmodified opinion thereon vide their report dated February 26, 2016.

Lahore
Dated: February 08, 2017



KPMG Taseer Hadi & Co.
Chartered Accountants

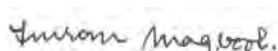
M. Rehan Chughtai

Consolidated Statement of Financial Position

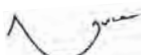
As at December 31, 2016

	Note	2016	2015
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	75,732,185	61,265,859
Balances with other banks	7	7,201,459	10,058,662
Lendings to financial institutions	8	2,809,752	2,867,744
Investments - net	9	556,770,384	566,564,304
Advances - net	10	364,333,516	316,771,355
Operating fixed assets	11	35,225,865	31,536,887
Deferred tax assets - net		-	-
Other assets - net	12	34,617,075	31,915,210
		1,076,690,236	1,020,980,021
LIABILITIES			
Bills payable	14	13,291,328	11,975,237
Borrowings	15	77,438,993	118,615,031
Deposits and other accounts	16	795,689,546	706,239,715
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	17	12,889,649	12,482,287
Other liabilities	18	31,420,650	29,491,131
		930,730,166	878,803,401
NET ASSETS		145,960,070	142,176,620
Represented by			
Share capital	19	11,130,307	11,130,307
Reserves	20	53,512,633	51,491,384
Unappropriated profit		55,509,013	52,631,368
Total equity attributable to the equity holders of the Bank		120,151,953	115,253,059
Non-controlling interest		509,331	512,076
		120,661,284	115,765,135
Surplus on revaluation of assets - net of tax	21	25,298,786	26,411,485
		145,960,070	142,176,620
Contingencies and commitments	22		

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



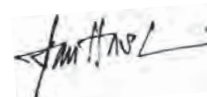
Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Muhammad Ali Zeb
Director



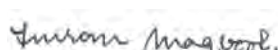
Irfan Ahmed Hashmi
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
Mark-up / return / interest earned	24	69,035,820	80,840,506
Mark-up / return / interest expensed	25	24,236,261	31,171,853
Net mark-up / interest income		44,799,559	49,668,653
Provision / (reversal) for diminution in the value of investments - net	9.3	(647,356)	831,369
Provision / (reversal) against loans and advances - net	10.4.2	1,204,892	(285,965)
Bad debts written off directly	10.5.1	18	67
		557,554	545,471
Net mark-up / interest income after provisions		44,242,005	49,123,182
Non mark-up / interest income			
Fee, commission and brokerage income		8,244,999	8,463,171
Dividend income		1,123,108	861,381
Income from dealing in foreign currencies		942,613	771,686
Gain on sale of securities - net	26	5,498,958	4,343,994
Unrealized gain on revaluation of investments classified as held for trading	9.5	5,614	577
Other income	27	540,644	2,088,120
Total non mark-up / interest income		16,355,936	16,528,929
		60,597,941	65,652,111
Non mark-up / interest expenses			
Administrative expenses	28	23,628,212	22,566,685
Other provision - net	12.3	271,151	155,240
Other charges	29	924,495	937,153
Total non mark-up / interest expenses		24,823,858	23,659,078
Share of profit of associates		946,774	795,607
Extra ordinary / unusual item		-	-
Profit before taxation		36,720,857	42,788,640
Taxation - Current year		12,503,868	14,569,863
- Prior years		1,682,063	1,894,674
- Deferred		177,995	1,209,820
Share of tax of associates		182,786	79,171
	30	14,546,712	17,753,528
Profit after taxation		22,174,145	25,035,112
Profit attributable to non-controlling interest		(111,157)	(125,111)
Profit attributable to equity shareholders of the Bank		22,062,988	24,910,001
Basic and diluted earnings - after tax	Rupees per share	33	22.38

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



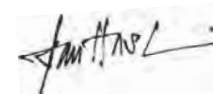
Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Muhammad Ali Zeb
Director



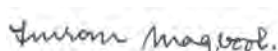
Irfan Ahmed Hashmi
Director

Consolidated Statement of Comprehensive Income

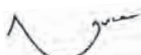
For the year ended December 31, 2016

	2016	2015
	(Rupees in '000)	
Profit after tax for the year	22,174,145	25,035,112
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans - net of tax	780,529	(1,719,718)
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	(171,117)	(270,041)
- Non-controlling interest	(11)	(3,551)
	(171,128)	(273,592)
Share of exchange translation reserve of associate	(13,650)	(3,236)
Comprehensive income transferred to equity	22,769,896	23,038,566
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	(3,889,715)	3,319,164
Deferred tax	1,408,237	(1,466,711)
Share of other comprehensive income of associates - net of tax	(521,175)	(844,716)
	(3,002,653)	1,007,737
Total Comprehensive income	19,767,243	24,046,303

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



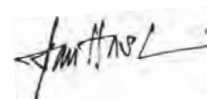
Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Muhammad Ali Zeb
Director



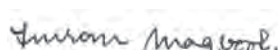
Irfan Ahmed Hashmi
Director

Consolidated Cash Flow Statement

For The Year Ended December 31, 2016

	Note	2016	2015
		(Rupees in '000)	
Cash flows from operating activities			
Profit before taxation		36,720,857	42,788,640
Less: Dividend income & share of profit of associates		(2,069,882)	(1,656,988)
		34,650,975	41,131,652
Adjustments for non-cash items			
Depreciation	11.2 & 28	1,667,632	2,051,557
Amortization	11.3	385,749	385,915
Provision / (reversal) against loans and advances - net	10.4.2	1,204,892	(285,965)
Provision / (reversal) for diminution in the value of investments - net	9.3	(647,356)	831,369
Other provision - net	12.3	271,151	155,240
Bad debts written off directly	10.5.1	18	67
Provision for Workers' Welfare Fund	29	730,368	855,323
Reversal for defined benefit plan - net	28	(98,304)	(447,308)
Unrealized gain on revaluation of investments classified as held for trading	9.5	(5,614)	(577)
Gain on sale of shares in associate		(135,485)	(74,242)
Gain on disposal of fixed assets - net	27	(83,172)	(136,285)
		3,289,879	3,335,094
		37,940,854	44,466,746
(Increase) / decrease in operating assets			
Lendings to financial institutions		57,992	(3,714,299)
Net investments in 'held for trading' securities		282,989	(198,145)
Advances - net		(48,767,071)	(11,024,396)
Other assets - net		2,730,106	3,854,534
		(45,695,984)	(11,082,306)
Increase / (decrease) in operating liabilities			
Bills payable		1,316,091	(4,652,463)
Borrowings		(40,835,357)	58,684,008
Deposits and other accounts		89,449,831	17,969,624
Other liabilities		(9,909)	(2,160,780)
		49,920,656	69,840,389
		42,165,526	103,224,829
Defined benefits paid		(349,919)	(357,224)
Income tax paid		(16,346,807)	(16,112,494)
Net cash flows from operating activities		25,468,800	86,755,111
Cash flows from investing activities			
Net investments in 'available for sale' securities		12,600,364	(39,546,381)
Net investments in 'held to maturity' securities		(6,399,790)	(5,915,580)
Proceeds from divestment in associate		589,075	274,533
Dividends received		1,369,552	1,153,006
Proceeds from issue of shares to Non-controlling interest		-	157
Payment for the acquisition of shares from Non-controlling interest		-	(7,982)
Investments in operating fixed assets		(4,320,234)	(4,055,011)
Sale proceeds of property and equipment disposed off		687,021	247,780
Net cash flows from investing activities		4,525,988	(47,849,478)
Cash flows from financing activities			
Dividend paid		(17,873,856)	(17,279,607)
Net cash flows from financing activities		(17,873,856)	(17,279,607)
Exchange differences on translation of net investment in foreign branches and subsidiaries		(171,128)	(273,592)
Increase/(decrease) in cash and cash equivalents		11,949,804	21,352,434
Cash and cash equivalents at beginning of the year		71,113,415	49,176,482
Effects of exchange rate changes on cash and cash equivalents		(285,432)	299,067
		70,827,983	49,475,549
Cash and cash equivalents at end of the year	34	82,777,787	70,827,983

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



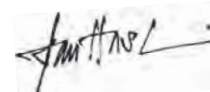
Imran Maqbool
President and Chief Executive



S. M. Muneer
Director



Muhammad Ali Zeb
Director



Irfan Ahmed Hashmi
Director

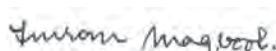
Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

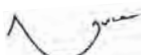
	Attributable to equity shareholders of the Bank							Non-controlling interest	Total
	Capital Reserves			Statutory reserve	Revenue Reserves				
	Share Capital	Share Premium	Exchange translation reserve		General reserve	Unappropriated profit	Sub Total		
	(Rupees in '000)								
Balance as at December 31, 2014	11,130,307	9,924,438	542,637	20,132,970	18,600,000	49,765,031	110,095,383	511,960	110,607,343
Change in equity for the year ended December 31, 2015									
Total comprehensive income for the year ended December 31, 2015									
Profit after taxation for the year ended December 31, 2015	-	-	-	-	-	24,910,001	24,910,001	125,111	25,035,112
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	(1,719,718)	(1,719,718)	-	(1,719,718)
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	(270,041)	-	-	-	(270,041)	(3,551)	(273,592)
Share of exchange translation reserve of associates	-	-	(3,236)	-	-	-	(3,236)	-	(3,236)
	-	-	(273,277)	-	-	23,190,283	22,917,006	121,560	23,038,566
Transactions with owners recognized directly in equity									
Final cash dividend at Rs. 4.0 per share - December 31, 2014	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - March 31, 2015	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - June 30, 2015	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - September 30, 2015	-	-	-	-	-	(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	-	-	-	-	-	49,162	49,162	272	49,434
Proceeds from issue of shares to Non-controlling interest	-	-	-	-	-	-	-	157	157
Payment for the acquisition of shares from Non-controlling interest	-	-	-	-	-	-	-	(7,982)	(7,982)
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	(113,891)	(113,891)
Transferred to statutory reserve	-	-	-	2,564,616	-	(2,564,616)	-	-	-
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
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	(171,117)	-	-	-	(171,117)	(11)	(171,128)
Share of exchange translation reserve of associates	-	-	(13,650)	-	-	-	(13,650)	-	(13,650)
	-	-	(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

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 IV form an integral part of these consolidated financial statements.



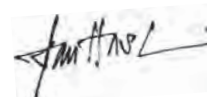
Imran Maqbool
President and Chief Executive



S. M. Muneer
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, 2016

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 whereas its Global Depository Receipts (GDRs) representing two ordinary shares (2015: two ordinary shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,227 branches (2015: 1,212 branches) within Pakistan and 11 branches (2015: 11 branches) outside the country (including the Karachi Export Processing Zone branch).

- 1.1 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. Pursuant to the Amalgamation, 73,569,197 ordinary shares of MCB shall be issued 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 subject to obtaining all necessary regulatory approvals.

Subsidiary companies

MCB Financial Services Limited

MCB Financial Services Limited (the Company) was incorporated on February 12, 1992 under the Companies Ordinance, 1984 as a private limited company. The company converted its status from Private Limited Company to Unlisted Public Limited Company on June 19, 2009. The principal objects of the company are to act as Trustee of investment trust schemes, voluntary pension schemes, real estate investment trust schemes, to provide custodian services and to act as transfer agent/share registrar of securities of listed and non listed companies and mutual funds etc. The Company's main source of income is from trusteeship services provided to mutual funds. Its registered office is located at Karachi. The Bank owns 99.999% shares of the company while remaining shares are held by nominees of the Bank.

MNET Services (Private) Limited

MNET Services (Private) Limited (the Company) is a private

limited company incorporated in Pakistan under the Companies Ordinance, 1984 on September 7, 2001. The company's registered office and principal place of business are situated at MCB Building, F-6 / G-6, Jinnah Avenue, Islamabad and Sheikh Sultan Trust Building, Beaumont Road, Karachi respectively. The core objective of the company is to provide services in Information Technology and to develop computer software and other data processing equipment for planning, designing, management and execution of all types of financial, personal, organizational and institutional activities.

During the year 2013, the Board of Directors (BOD) of the Company in their meeting held on August 7, 2013 resolved to voluntarily wind up the Company (subject to supervision of the court) because of its worsening financial position. The main reason for the worsening financial position was due to huge fixed cost being incurred by the Company on account of Switch operations against which the Company was unable to generate sufficient revenues. Further, the Board of Directors of MCB Bank Limited in their meeting held on August 16, 2013 also resolved to wind up the subsidiary i.e. MNET Services (Private) Limited.

However, the BOD of the Company, in their meeting held on December 15, 2014, has decided to reverse their aforementioned decision and has requested the Board of the Holding Company to reverse their decision taken earlier in this regard as well. In pursuance of the above resolution, the management of the Company submitted an application to State Bank of Pakistan to revive the Switch business. Furthermore, the management of the Company made an application in June 2015 to SBP to register the Company as Payment System Operator / Payment Service Provider.

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 under the Companies Ordinance, 1984. 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

“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 under the Companies Ordinance, 1984 to carry out the business of an Islamic commercial Bank in accordance and in conformity with the principles of Islamic Shari’ah and in accordance with regulations and guidelines of the State Bank of Pakistan. The Securities and Exchange Commission of Pakistan granted “Certificate of Commencement of Business” to MCBIBL on January 30, 2015. MCBIBL is a wholly owned subsidiary of MCB Bank Limited (MCB).

The State Bank of Pakistan (SBP) granted a “Certificate of Commencement of Banking Business” to MCBIBL on September 14, 2015 under Section 27 of the Banking Companies Ordinance, 1962. MCBIBL formally commenced operations as a Scheduled Islamic Commercial Bank with effect from October 15, 2015 upon receiving notification in this regard from SBP under section 37 of the State Bank of Pakistan Act, 1956. Currently, MCBIBL is engaged in corporate, commercial, consumer, investment and retail banking activities.

MCBIBL is operating through 66 branches in Pakistan (December 31, 2015: 40 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.

During the year, the Bank has transferred all assets and liabilities of Islamic Banking Operations to MCBIBL under the scheme of demerger. Detail of assets and liabilities transferred are given in note 9.11 to unconsolidated financial statements.

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. 104.5985 per US Dollar (2015: Rs. 104.7410) 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 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

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.

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

The following other standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 01, 2016:

- IAS 27–Separate Financial Statements–Equity Method in Separate Financial Statements (Amendment)
- IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2016 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these 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, 2017:

	Effective date (accounting periods beginning on or after)
• IAS 7 - Statement of cash flow (amendments)	January 01, 2017
• IAS 12 - Income taxes (amendments)	January 01, 2017
• IFRS 2 - Share-based Payment (amendments)	January 01, 2018
• IFRS 12 - Disclosure of Interests in Other Entities (amendments)	January 01, 2017
• IAS 28 - Investments in Associates and Joint Ventures (amendments)	January 01, 2018
• IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 01, 2018

There are other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2017 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

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

4. BASIS OF MEASUREMENT

4.1 These consolidated financial statements have been prepared under the historical cost convention except that certain classes of fixed assets 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 Group's functional and presentation currency. The amounts are rounded off to the nearest thousand.

4.3 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting

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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 consolidated financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification of investments

In classifying investments, the Group follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the 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 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 10.4.3 to 10.4.6.

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

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with those of the previous financial year except as described in note 5.14.

5.1 Basis of consolidation

- a) The consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of associates are accounted for under the equity basis of accounting.
- b) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiaries are disposed off. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the financial statements as at December 31, 2016 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.

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

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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 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

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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 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. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.7 Staff retirement benefits MCB Bank Limited

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:

- an approved contributory provident fund;
- an approved gratuity scheme; and
- a contributory benevolent scheme

- b) For clerical / non-clerical staff who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:

- an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
- an approved pension fund; and
- contributory benevolent scheme

- c) For officers who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:

- an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
- an approved pension fund; and
- contributory benevolent fund

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.

- d) For executives and officers who joined the Bank on or after January 01, 2000, the Bank operates an approved contributory provident fund.

- e) Post retirement medical benefits to entitled employees.

Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the Projected Unit Credit Method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in other Comprehensive Income in the period of occurrence.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. The Bank recognises past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs; and
- (ii) when the Bank recognises related restructuring costs or termination benefits.

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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.

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

5.10.2 Foreign operations

The assets and liabilities of foreign branches and subsidiaries are translated to Rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

5.10.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Bank's net investment in foreign branches, which are taken to the capital reserve (exchange translation reserve) until the disposal of the net investment, at which time these are recognised in the profit and loss account.

5.10.4 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the date of the statement of financial position.

5.11 Acceptances

Acceptances comprise undertakings by the Group

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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.

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

To comply with the requirements of the Debt Swap Regulations issued by SBP through BPRD circular No. 01 of 2016 dated January 01, 2016, the Bank has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims effective from January 01, 2016. These were previously recorded at the lower of cost or market value and are now recorded at market value less accumulated depreciation. Had the accounting policy not been changed, Non banking assets (included in Other Assets in the statement of financial position) would have been lower by Rs 217.460 million while surplus on revaluation of assets and deferred tax liabilities would have been lower by Rs 141.349 million and Rs 76.111 million respectively. The impact of this change in policy on profit for the year and earnings per share is not material.

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.

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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.

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, simultaneously.

5.17 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

5.18 Segment reporting

A segment is a distinguishable component of the 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.

Asset Management

It includes asset management, investment advisory, portfolio management, equity research and underwriting.

5.18.2 Geographical segments

The Group operates in four geographic regions being:

- Pakistan
- South Asia
- Middle East
- Eurasia

5.19 Dividend distribution and appropriation

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

5.20 Earnings per share

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

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	Note	2016	2015
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	6.1	15,286,337	13,755,463
- foreign currencies		2,851,119	2,656,764
With State Bank of Pakistan (SBP) in:			
Local currency current account	6.2	32,490,494	22,035,543
Foreign currency current account	6.3	128,255	38,766
Foreign currency deposit account	6.4	5,987,699	6,003,817
With other central banks in foreign currency current account	6.5	2,725,948	2,330,468
With National Bank of Pakistan in local currency current account		16,262,333	14,445,038
		<u>75,732,185</u>	<u>61,265,859</u>

6.1 This includes national prize bonds amounting to Rs.150.008 million (2015: Rs. 172.510 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. 4,468.181 million (2015: Rs. 4,492.651 million) which carry interest rate of 0% (2015: 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	2016	2015
(Rupees in '000)			
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
- current account		4,571	25,591
- deposit account	7.1	2,345,264	6,290,957
Outside Pakistan			
- current account		3,555,886	2,227,350
- deposit account	7.2	1,295,738	1,514,764
		<u>7,201,459</u>	<u>10,058,662</u>

7.1 This represents savings accounts carrying profit at rates ranging from 0.6% to 5.64% per annum (2015: 2.60% to 6.90% per annum).

7.2 Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 1.65% to 13% (2015: 0.40% to 2.45%) per annum.

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	Note	2016	2015
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2	558,800	2,795,034
Repurchase agreement lendings	8.3 & 8.4	2,250,952	72,710
		<u>2,809,752</u>	<u>2,867,744</u>
8.1 Particulars of lendings			
In local currency		1,989,014	1,000,000
In foreign currencies		820,738	1,867,744
		<u>2,809,752</u>	<u>2,867,744</u>

8.2 The call money lendings carry mark-up at the rate of 8.42% (2015 : 0.25% to 6.40%) per annum and are due to mature latest by January 2017.

8.3 Repurchase agreement lendings carry mark-up at rates ranging from 5.80% to 7.0% (2015: 6.0%) per annum and are due to mature latest by January 2017.

8.4 Securities held as collateral against lendings to financial institutions

	2016			2015		
	Held by bank	Further Given as collateral	Total	Held by bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	2,250,952	-	2,250,952	72,710	-	72,710
	<u>2,250,952</u>	<u>-</u>	<u>2,250,952</u>	<u>72,710</u>	<u>-</u>	<u>72,710</u>

Notes to and forming part of the Consolidated Financial Statements

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9. INVESTMENTS - NET

9.1 Investments by types

Note	2016			2015			
	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	145,662	-	145,662	158,254	-	158,254	
- Units in open ended mutual fund	354,427	-	354,427	415,292	-	415,292	
- Pakistan Investment Bonds	-	-	-	208,955	-	208,955	
	500,089	-	500,089	782,501	-	782,501	
Available-for-sale securities							
- Market Treasury Bills	257,767,747	38,952,255	296,720,002	142,229,818	82,946,230	225,176,048	
- Pakistan Investment Bonds	191,685,598	-	191,685,598	279,833,175	-	279,833,175	
- Shares in listed companies	19,642,084	-	19,642,084	17,182,734	-	17,182,734	
- Units in open ended mutual fund	434,537	-	434,537	304,112	-	304,112	
- Investment in REIT	174,678	-	174,678	174,678	-	174,678	
- Shares in unlisted companies	205,890	-	205,890	205,948	-	205,948	
- NIT units	5,253	-	5,253	5,253	-	5,253	
- Sukuk bonds	3,526,509	-	3,526,509	1,946,634	-	1,946,634	
- Term Finance Certificates	332,467	-	332,467	498,800	-	498,800	
	473,774,763	38,952,255	512,727,018	442,381,152	82,946,230	525,327,382	
Held-to-maturity securities							
- Market Treasury Bills	763,486	47,498	810,984	2,064,940	63,608	2,128,548	
- Pakistan Investment Bonds	8,446,443	-	8,446,443	103,097	-	103,097	
- Provincial Government Securities	118	-	118	118	-	118	
- Sukuk Bonds	1,186,310	-	1,186,310	1,313,007	-	1,313,007	
- Euro Bonds	2,845,467	-	2,845,467	2,757,628	-	2,757,628	
- Bai Muajjal with Government of Pakistan	-	-	-	2,264,736	-	2,264,736	
- Term Finance Certificates, Debentures, Bonds and Others	5,644,080	-	5,644,080	6,271,422	-	6,271,422	
- Certificates of deposit	3,531,136	-	3,531,136	941,031	-	941,031	
- Certificates of Investment	-	-	-	285,161	-	285,161	
	22,417,040	47,498	22,464,538	16,001,140	63,608	16,064,748	
Associates							
- Adamjee Insurance Company Limited	9.7	5,375,158	-	5,375,158	5,456,165	-	5,456,165
- Euronet Pakistan (Private) Limited	9.8	72,357	-	72,357	64,962	-	64,962
		5,447,515	-	5,447,515	5,521,127	-	5,521,127
Investments at cost							
		502,139,407	38,999,753	541,139,160	464,685,920	83,009,838	547,695,758
Less: Provision for diminution in value of investments	9.3	(1,886,821)	-	(1,886,821)	(2,534,177)	-	(2,534,177)
		500,252,586	38,999,753	539,252,339	462,151,743	83,009,838	545,161,581
Investments (net of provisions)							
Surplus / (Deficit) on revaluation of available for sale securities - net	21.2	17,520,972	(8,541)	17,512,431	21,402,889	(743)	21,402,146
Surplus / (Deficit) on revaluation of 'held for trading' securities - net	9.5	5,614	-	5,614	577	-	577
Investments at revalued amounts-net of provisions							
		517,779,172	38,991,212	556,770,384	483,555,209	83,009,095	566,564,304

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills		295,971,307	225,176,048
- Pakistan Investment Bonds		200,132,041	280,145,227
- Euro Bonds		2,845,467	2,757,628
- Bai Muajjal with Government of Pakistan		-	2,264,736
- Sukuk Bonds		2,661,509	1,946,634
Overseas Government Securities			
- Market Treasury Bills - Sri Lanka		1,559,679	2,128,548
- Development Bonds		631,248	2,207,865
Provincial Government Securities		118	118
Associated Undertakings		5,447,515	5,521,127
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas		19,724,461	17,277,703
- Unlisted companies / funds		205,890	205,948
Units of Open Ended Mutual Funds		788,964	719,404
Fully Paid-up Preference Shares:			
- Listed Companies		63,285	63,285
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates		2,280,935	2,281,548
- Unlisted Term Finance Certificates		2,501,674	1,513,439
- Debentures, Bonds and Participation Term Certificates		562,690	767,370
Other Investments:			
- Sukuk Bonds		2,051,310	1,313,007
- Certificates of deposit		3,531,136	941,031
- Investment in REIT		174,678	174,678
- Certificates of Investment		-	285,161
- NIT Units		5,253	5,253
Total investments at cost		541,139,160	547,695,758
Less: Provision for diminution in the value of investments	9.3	(1,886,821)	(2,534,177)
Investments (net of provisions)		539,252,339	545,161,581
Surplus on revaluation of available for sale securities - net	21.2	17,512,431	21,402,146
Surplus on revaluation of held for trading securities - net	9.5	5,614	577
Investments at revalued amounts - net of provisions		556,770,384	566,564,304
9.3 Particulars of provision			
Opening balance		2,534,177	1,702,808
Charge during the year		20,459	1,212,052
Reversal on disposal of shares		(665,844)	(340,683)
Other reversal made during the year		(1,971)	(40,000)
		(647,356)	831,369
Closing balance		1,886,821	2,534,177
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Listed shares / Certificates / Units		1,688,355	2,354,198
Unlisted shares		80,961	78,191
		1,769,316	2,432,389
Held-to-maturity securities			
Unlisted TFCs, Debentures, Bonds and Participation Term Certificates		117,505	101,788
		1,886,821	2,534,177

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

9.4 Quality of 'available for sale' securities

	Note	2016		2015	
		Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
Market Treasury Bills	9.4.1	296,652,703	Unrated	225,250,817	Unrated
Pakistan Investment Bonds	9.4.1	204,586,538	Unrated	300,601,447	Unrated
Listed Term Finance Certificates					
Bank Alfalah Limited		335,958	AA & A1+	506,645	AA-
Shares in Listed Companies					
Abbott Laboratories (Pakistan) Limited		701,260	Unrated	-	-
Aisha Steel Mills Limited - preference shares		2,726	Unrated	1,392	Unrated
Allied Bank Limited		634,841	AA+ & A1+	454,842	AA+ & A1+
Al Shaheer Corporation		334,499	Unrated	-	-
Archroma Pakistan Limited		-	-	58,776	Unrated
Attock Petroleum Limited		659,801	Unrated	453,863	Unrated
Attock Refinery Limited		402,206	AA & A1+	281,016	AA & A1+
Bank Alfalah Limited		448,535	AA & A1+	484,637	AA & A1+
Bank Al-Habib Limited		2	AA+ & A1+	563,889	AA+ & A1+
The Bank of Punjab		-	AA & A1+	95,973	AA- & A1+
Bestway Cement Limited		461,735	AA- & A1+	22,051	AA- & A1+
Cherat Cement Company Limited		-	-	183,877	A & A1
Clover Pakistan Limited		-	-	11,296	Unrated
Crescent Steel and Allied Products Limited		489,784	Unrated	-	-
Dawood Hercules Corporation Limited		587,322	AA- & A1+	333,437	AA- & A1+
Dolmen City REIT		172,613	RR1	170,390	Unrated
Engro Corporation Limited		534,255	AA & A1+	402,797	AA & A1+
Engro Fertilizers Limited		700,364	AA- & A1+	579,782	AA- & A1+
Engro Powergen Qadirpur Limited		31,458	A & A1	-	-
Fatima Fertilizer Company Limited		397,803	AA- & A1+	-	-
Fauji Cement Company Limited		653,728	Unrated	531,165	Unrated
Fauji Fertilizer Bin Qasim Company Limited		71,131	Unrated	18,965	Unrated
Fauji Fertilizer Company Limited		1,246,908	AA & A1+	1,429,811	AA & A1+
Faysal Bank Limited		209,850	AA & A1+	199,795	AA & A1+
Fecto Cement Limited		382,403	Unrated	218,139	Unrated
Ferozsons Laboratories Limited		56,980	Unrated	202,009	Unrated
First Capital Mutual Fund		104	3-Star	81	2-Star
Habib Bank Limited		27	AAA & A1+	-	-
Habib Metropolitan Bank Limited		498,594	AA+ & A1+	198,832	AA+ & A1+
Hub Power Company Limited		528,186	AA+ & A1+	-	-
Honda Atlas Cars (Pakistan) Limited		234,024	Unrated	114,524	Unrated
Hum Network Limited		207,589	A+ & A1	181,969	A+ & A1
IGI Insurance Limited		225,899	AA	99,000	AA
Indus Motor Company Limited		291,100	Unrated	-	-
International Industries Limited		114,089	AA- & A1	-	-
International Steels Limited		156,417	A+ & A1	110,919	Unrated
K-Electric Limited		2,010	AA & A1	369,351	AA- & A1
Kohat Cement Company Limited		-	-	289	Unrated
Kohinoor Textile Mills Limited		362,776	A+ & A1	-	-
Kot Addu Power Company Limited		1,312,966	AA+ & A1+	965,642	AA+ & A1+
Maple Leaf Cement Factory Limited		-	-	124,586	A & A1
Masood Textile Mills Limited - preference shares		50,000	Unrated	50,000	Unrated
Murree Brewery Company Limited		-	-	3,646	Unrated
Millat Tractor Limited		845,224	Unrated	-	-
National Bank of Pakistan		364,789	AAA & A1+	374,821	AAA & A1+
National Foods Limited		-	-	4,422	AA- & A1
National Refinery Limited		52,543	AA+ & A1+	37,022	AA+ & A1+
Nestle Pakistan Limited		405,720	Unrated	484	Unrated
*Next Capital Limited including LOR		57,033	A- & A2	14,216	A- & A2
Oil & Gas Development Company Limited		729,365	AAA & A1+	249,962	Unrated
Pak Elektron Limited		507,594	A+ & A1	353,226	A & A1
Balance carried forward		16,126,253		9,950,894	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

Note	2016		2015	
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
Balance brought forward	16,126,253		9,950,894	
Pakistan Oilfields Limited	104	Unrated	467,131	Unrated
Pakistan Petroleum Limited	411,120	Unrated	266,120	Unrated
Pakistan State Oil Company Limited	-	-	343,134	AA & A1+
Pakcem Limited	-	-	153,721	A- & A2
Packages Limited	512,410	AA & A1+	384,949	AA & A1+
Pakistan International Bulk Terminal Limited	-	-	68,680	Unrated
Pakistan National Shipping Corporation	113	AA- & A1+	146,423	AA- & A1+
Pakistan Reinsurance Company Limited	232,613	AA	189,323	Unrated
Pakistan Telecommunication Company Limited	265,689	Unrated	266,561	Unrated
Pioneer Cement Limited	49,745	A & A1	205,889	Unrated
Rafhan Maize Products Limited	457,035	Unrated	457,088	Unrated
Saif Power Limited	545,846	A+ & A1	458,844	A+ & A1
Siemens Pakistan Engineering Company Limited	15,957	Unrated	10,152	Unrated
* Sui Northern Gas Pipelines Limited	2,501,426	AA- & A1	1,014,363	AA- & A1
Sui Southern Gas Company Limited	455,120	A+ & A1	-	-
Treet Corporation Limited	191,138	AA- & A1	146,980	Unrated
* Trust Securities & Brokerage Limited	3,150	Unrated	1,032	Unrated
Unilever Pakistan Foods Limited	5,072	Unrated	5,159	Unrated
United Bank Limited	330,066	AAA & A1+	592,050	AA+ & A1+
Zulfqar Industries Limited	3,230	Unrated	2,739	Unrated
	22,106,087		15,131,232	
Open Ended Mutual Fund				
Pakistan Pension Fund	259,672	Not Applicable	208,651	Not Applicable
Pakistan Islamic Pension Fund	279,121	Not Applicable	214,180	Not Applicable
Pakistan Stock Market Fund	273,408	Not Applicable	100,022	Not Applicable
	812,201		522,853	
Closed Ended Mutual Fund				
PICIC Investment Fund	285,624	Unrated	211,438	Unrated
	285,624		211,438	
Shares in Un-listed Companies	9.4.2			
* National Investment Trust Limited	100	AM2+	100	AM2
* SME Bank Limited	-	B & B	2,771	BB & B
First Capital Investment (Private) Limited	2,500	AM4++	2,500	AM4+
First Women Bank Limited	63,300	A- & A2	63,300	BBB+ & A2
Pak Asian Fund	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	10,000	Unrated	10,000	Unrated
* National Institutional Facilitation Technologies (Private) Limited	1,526	Unrated	1,526	Unrated
Society for Worldwide Inter Fund Transfer (SWIFT)	1,738	Unrated	1,738	Unrated
* ISE Towers REIT Management Company Limited	30,346	Unrated	30,346	Unrated
Lanka Clearing (Private) Limited	699	Unrated	727	Unrated
Lanka Financial Services Bureau Limited	699	Unrated	727	Unrated
Credit Information Bureau of Sri Lanka	21	Unrated	22	Unrated
	124,929		127,757	
Other Investment				
Sukuk Bonds				
GOP Ijarah Sukuk - 15	1,906,143	Unrated	1,866,252	Unrated
GOP Ijarah Sukuk - 16	563,475	Unrated	-	-
GOP Ijarah Sukuk - 18	57,126	Unrated	-	-
WAPDA III Sukuk Certificates	144,332	Unrated	71,703	Unrated
Meezan Bank Limited	510,335	AA-	-	-
Fatima Fertilizer Company Limited	375,000	AA-	-	-
	3,556,411		1,937,955	
N.I.T. Units	9,682	AM2-	6,995	AM2-
	528,470,133		544,297,139	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

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.

*These are the strategic investments of the Bank.

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

	Unrealized gain / (loss)		Cost	
	2016	2015	2016	2015
	(Rupees in '000)			
9.5.1 Investee Company				
Al Shaheer Corporation	463	-	13,457	-
Attock Refinery Limited	-	278	-	9,892
Bank Of Punjab	-	(412)	-	18,832
Engro Corporation Limited	28	100	15,049	12,472
Engro Fertilizers Limited	193	-	8,135	-
Engro Foods Limited	-	(39)	-	6,269
Hum Network	-	(59)	-	381
Indus Motor Company Limited	204	-	7,949	-
International Steel Limited	-	(2,293)	-	23,945
K-Electric Limited	-	(1,210)	-	55,794
Millat Tractor Limited	134	-	16,512	-
National Refinery Limited	6	-	280	-
Pak Elektron Limited	174	-	24,774	-
Pakistan State Oil Corporation	718	(1,057)	32,325	30,669
Pakistan Telecommunication Company Limited	(77)	-	1,657	-
Sui Northern Gas Pipelines Limited	(188)	-	16,502	-
Treet Corporation Limited	(33)	-	9,022	-
Pakistan Investment Bonds	-	300	-	208,955
	1,622	(4,392)	145,662	367,209
9.5.2 Investment in units of mutual funds				
Investee Company				
MCB Pakistan Sovereign Fund	691	5,787	87,152	329,594
MCB Cash Management Optimizer	3,301	46	267,275	10,356
MCB Pakistan Asset Allocation Fund	-	(864)	-	75,342
	3,992	4,969	354,427	415,292
	5,614	577	500,089	782,501

9.6 "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan.

9.7 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2016 amounted to Rs. 6,351.272 million (2015: Rs. 5,457.279 million).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

Investment in Adamjee Insurance Company Limited under equity method - holding 24.48% (2015: 27.59%)

	2016	2015
	(Rupees in '000)	
Opening balance	5,456,165	6,203,825
Share of profit for the year before tax	927,454	783,180
Dividend from associate	(273,641)	(289,716)
Share of tax	(170,861)	(72,895)
	482,952	420,569
Share of other comprehensive income	52,213	(840,911)
Disposal during the year	(616,172)	(327,318)
Closing balance	5,375,158	5,456,165

9.7.1 Share of other comprehensive income

Share of unrealized surplus on assets -net of tax	51,160	(844,716)
Share of exchange translation reserve of associate	1,053	3,805
	52,213	(840,911)

- 9.8** Investment of the Group in Euronet Pakistan Private Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

Investment in Euronet Pakistan Private Limited under equity method - holding 30%

	2016	2015
	(Rupees in '000)	
Opening balance	64,962	64,511
Share of profit for the year before tax	19,320	12,427
Dividend from associate	-	(5,700)
Share of tax	(11,925)	(6,276)
Closing balance	7,395	451
	72,357	64,962

- 9.9** Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (2015: Rs. 232.60 million) earmarked by the SBP against TT discounting facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2015: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.

- 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

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		336,403,574	294,863,641
Outside Pakistan		17,909,754	15,676,687
		<u>354,313,328</u>	<u>310,540,328</u>
Islamic Financing and related assets	10.1.3	16,174,001	12,569,208
Net investment in finance lease	10.2		
In Pakistan		1,812,760	2,100,015
Outside Pakistan		537,731	578,704
		<u>2,350,491</u>	<u>2,678,719</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,768,909	5,168,459
Payable outside Pakistan		5,426,101	4,318,976
		<u>11,195,010</u>	<u>9,487,435</u>
Advances - gross		<u>384,032,830</u>	<u>335,275,690</u>
Provision against advances	10.4		
Specific provision		(18,939,120)	(17,848,909)
General provision		(367,926)	(332,614)
General provision against consumer loans & small enterprise loans		(345,791)	(284,400)
General provision by overseas operations		(46,477)	(38,412)
		<u>(19,699,314)</u>	<u>(18,504,335)</u>
Advances - net of provision		<u>364,333,516</u>	<u>316,771,355</u>
10.1 Particulars of advances (gross)			
10.1.1 In local currency		344,711,305	304,694,637
In foreign currencies		39,321,525	30,581,053
		<u>384,032,830</u>	<u>335,275,690</u>
10.1.2 Short-term		252,782,863	227,215,608
Long-term		131,249,967	108,060,082
		<u>384,032,830</u>	<u>335,275,690</u>
10.1.3 Islamic Financing and related assets			
Murabaha financing		2,719,939	1,352,558
Inventory held under Murabaha		4,987,296	4,841,213
Advances against Murabaha		804,071	204,217
Murabaha under Islamic Export Refinance Scheme		87,003	412,366
Advances against Murabaha under Islamic Export Refinance Scheme		299,650	34,000
Diminishing Musharakah		4,392,900	2,572,200
Advances against Diminishing Musharakah		1,222,733	1,423,937
Net book value of assets in Ijarah under IFAS 2		1,243,897	1,434,211
Advances against Ijarah		42,508	71,872
Advances against Istisna		-	150,000
Staff finance		374,004	72,634
		<u>16,174,001</u>	<u>12,569,208</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

10.2 Net investment in finance lease

	2016				2015			
	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	397,707	1,188,855	1,291,080	2,877,642	406,074	1,246,316	1,473,207	3,125,597
Guaranteed residual value	16,864	27,402	3,724	47,990	13,858	32,953	4,479	51,290
Minimum lease payments	414,571	1,216,257	1,294,804	2,925,632	419,932	1,279,269	1,477,686	3,176,887
Finance charge for future periods	(93,564)	(158,662)	(322,915)	(575,141)	(18,119)	(116,804)	(363,245)	(498,168)
Present value of minimum lease payments	321,007	1,057,595	971,889	2,350,491	401,813	1,162,465	1,114,441	2,678,719

10.3 Advances include Rs. 21,689.279 million (2015: Rs. 20,369.225 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2016								
		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
(Rupees in '000)										
2015										
Category of Classification	Note	Class Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)										
Other Assets Especially										
Mentioned (OAEM)	10.3.1	-	-	-	-	-	-	-	-	-
Substandard		-	-	-	-	-	-	-	-	-
Doubtful		430	45,897	46,327	215	22,949	23,164	215	22,949	23,164
Loss		15,285,697	5,037,201	20,322,898	15,272,105	2,553,640	17,825,745	15,272,105	2,553,640	17,825,745
		15,286,127	5,083,098	20,369,225	15,272,320	2,576,589	17,848,909	15,272,320	2,576,589	17,848,909

10.3.1 This represents non-performing portfolio of agricultural and small enterprise financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural and Small Enterprise Financing issued by the State Bank of Pakistan.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

Note	2016				Total
	Specific	General	General provision against consumer & SEs loans	General provision by Overseas Operations	
(Rupees in '000)					
10.4 Particulars of provision against advances					
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
Reversal made during the year	(2,396,599)	(94,075)	-	-	(2,490,674)
	1,098,409	35,312	61,391	9,780	1,204,892
Amounts written off	(4,968)	-	-	-	(4,968)
Closing balance	18,939,120	367,926	345,791	46,477	19,699,314

		2015			Total	
		Specific	General	General provision against consumer & SEs loans		General provision by Overseas Operations
(Rupees in '000)						
Opening balance		18,149,201	322,307	254,595	32,571	18,758,674
Exchange adjustments		57,851	-	-	(1,682)	56,169
Provision made during the year		2,226,286	10,307	29,805	7,523	2,273,921
Reversal made during the year		(2,559,886)	-	-	-	(2,559,886)
		(333,600)	10,307	29,805	7,523	(285,965)
Amounts written off	10.5.1	(24,543)	-	-	-	(24,543)
Closing balance		17,848,909	332,614	284,400	38,412	18,504,335

10.4.1 Particulars of provisions against advances

	2016			2015		
	Specific	General (Total)	Total	Specific	General (Total)	Total
(Rupees in '000)						
In local currency	16,100,771	713,717	16,814,488	15,272,320	617,014	15,889,334
In foreign currencies	2,838,349	46,477	2,884,826	2,576,589	38,412	2,615,001
	18,939,120	760,194	19,699,314	17,848,909	655,426	18,504,335

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

10.4.2 The following amounts have been charged to the profit and loss account:

	Note	2016	2015
(Rupees in '000)			
Specific provision		1,098,409	(333,600)
General provision	10.4.3	35,312	10,307
General provision against Consumer & Small Enterprise loans	10.4.5	61,391	29,805
General provision by overseas operations	10.4.6	9,780	7,523
		<u>1,204,892</u>	<u>(285,965)</u>

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

10.4.4 State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No.1 of 2011 dated October 21, 2011 has allowed benefit of forced sale value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for five years from the date of classification. However, management has not taken the FSV benefit in calculation of specific provision.

10.4.5 General provision against consumer loans represents provision maintained against fully secured performing portfolio and unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision against Small Enterprise Finance represents provision maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

10.4.6 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	2016	2015
(Rupees in '000)			
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.4	4,968	24,543
Directly charged to the profit and loss account		18	67
		<u>4,986</u>	<u>24,610</u>
10.5.2 Write offs of Rs. 500,000 and above	10.5.3	701	22,700
Write offs of below Rs. 500,000		4,285	1,910
		<u>4,986</u>	<u>24,610</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, 2016 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, 2016

	Note	2016	2015
		(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		3,618,890	3,567,212
Loans granted during the year		1,541,837	854,399
Repayments		(906,451)	(802,721)
Balance at end of the year		4,254,276	3,618,890
Debts due by controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		886	23,467
Loans granted during the year		2,850,674	-
Repayments		(2,456,455)	(22,581)
Balance at end of the year		395,105	886
		4,649,381	3,619,776
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	1,744,090	1,132,926
Property and equipment	11.2	32,747,037	29,399,474
Intangible asset	11.3	734,738	1,004,487
		35,225,865	31,536,887
11.1 Capital work-in-progress			
Civil works		259,585	136,749
Advances to suppliers and contractors		1,325,846	966,836
Others		158,659	29,341
		1,744,090	1,132,926

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

11.2 Property and equipment

Description	2016										
	Cost/Revalued amount					Accumulated depreciation					
	At January 01, 2016	Additions/ (disposals)/ 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 disposals) 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	15,068,292	1,366,661 (495,307) 81,040	1,461,977 (70,273) -	-	17,412,390	-	-	-	-	17,412,390	-
Land - Leasehold	297,526	- (100)	12,515	-	309,941	-	-	-	-	309,941	-
Buildings on freehold land	9,737,452	727,275 (96,817) (83,434)	610,283 (40,229) -	(749,546)	10,104,984	481,903	299,846 (22,361) (155)	(749,546)	9,687	10,095,297	upto 70 years
Buildings on leasehold land	106,705	23,763 (21)	22,485 -	(12,711)	140,221	6,924	5,791 -	(12,711)	-	140,221	upto 50 years
Leasehold Improvements	814,556	164,141 (2,870) (2,319)	-	-	973,508	624,063	97,534 (1,414) (1,107)	-	719,076	254,432	3 years
Furniture and fixture	1,217,690	102,701 (33,780) (1,468)	-	-	1,285,143	698,921	101,808 (29,539) (918)	-	770,272	514,871	10%
Electrical, Computers and office Equipment	10,641,318	1,171,315 (371,881) (8,895)	-	-	11,431,857	7,280,585	1,008,539 (367,032) (3,779)	-	7,918,313	3,513,544	10% to 25%
Vehicles	1,043,090	50,031 (119,127) (4,414)	-	-	969,580	434,759	124,898 (95,587) (832)	-	463,238	506,342	20%
	38,926,629	3,605,887 (1,119,782) (19,611)	2,107,260 (110,502)	(762,257)	42,627,624	9,527,155	1,638,416 (515,933) (6,795)	(762,257)	9,880,586	32,747,037	

11.2 Property and equipment

Description	2015									
	Cost/Revalued amount				Accumulated depreciation				Net Book value at December 31, 2015	Annual Rate of depreciation /estimated useful life
	At January 01, 2015	Additions/ (disposals)/ Exchange and other adjustments	Reversal of revaluation surplus on disposal	At December 31, 2015	At January 01, 2015	Charge for the year/ (depreciation on disposals)/ exchange and other adjustments	At December 31, 2015			
(Rupees in '000)										
Land - Freehold	14,646,179	504,150 (47) (81,990)	-	15,068,292	-	-	-	-	15,068,292	-
Land - Leasehold	247,949	49,577 - -	-	297,526	-	-	-	-	297,526	-
Buildings on freehold land	9,159,305	598,919 (3,493) (6,964)	-	9,737,452	223,373	260,302 (1,499) (273)	481,903	9,255,549	9,255,549	upto 70 years
Buildings on leasehold land	49,270	56,796 - 639	-	106,705	2,794	4,086 - 44	6,924	99,781	99,781	upto 50 years
Leasehold Improvements	709,669	112,986 (5,143) (2,956)	-	814,556	468,056	160,113 (5,143) 1,037	624,063	190,493	190,493	3 years
Furniture and fixture	1,217,878	112,692 (119,685) 6,805	-	1,217,690	725,765	94,843 (119,445) (2,242)	698,921	518,769	518,769	10%
Electrical, Computers and office Equipment	10,013,324	1,364,775 (713,914) (22,867)	-	10,641,318	6,985,103	1,011,920 (710,359) (6,079)	7,280,585	3,360,733	3,360,733	10% to 25%
Vehicles	872,073	279,457 (112,105) 3,665	-	1,043,090	425,839	103,568 (92,953) (1,695)	434,759	608,331	608,331	20%
	36,915,647	3,079,352 (954,387) (21,678)	-	38,926,629	8,830,930	1,634,832 (929,399) (9,208)	9,527,155	29,399,474	29,399,474	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

11.2.1 The land and buildings of the Group 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 information relating to location of revalued assets is given in Annexure IV. The details of revalued amounts are as follows:

	(Rupees in '000)
Total revalued amount of land	17,722,331
Total revalued amount of buildings	10,235,518

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2016 would have been as follows:

	(Rupees in '000)
Land	6,890,315
Buildings	7,125,083

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	312,421
Electrical, computers and office equipment	4,816,605
Vehicles	194,266
Leasehold Improvements	553,913
Intangible asset	1,955,551

11.2.3 Details of disposal of operating fixed assets

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

11.3 Intangible asset

Description	2016							
	Cost			Accumulated amortization			Net Book value at December 31, 2016	Useful Life
	At January 01 2016	Additions / (Disposals) / (adjustments)	At December 31, 2016	At January 01, 2016	Amortization for the year/ (Disposals) / (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
		(2,409)			(2,242)			
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)			
Description	2015							
	Cost			Accumulated amortization			Net Book value at December 31, 2015	Useful Life
	At January 01 2015	Additions/ adjustments	At December 31, 2015	At January 01, 2015	Amortization for the year/ adjustments	At December 31, 2015		
	(Rupees in '000)							
Computer software	2,696,343	410,556	3,103,849	1,990,096	385,915	2,373,489	730,360	3 - 7 years
		(3,050)			(2,522)			
Goodwill	82,127	-	82,127	-	-	-	82,127	
Management rights	192,000	-	192,000	-	-	-	192,000	
	2,970,470	410,556	3,377,976	1,990,096	385,915	2,373,489	1,004,487	
		(3,050)			(2,522)			

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
12. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency		12,486,306	17,423,625
Income / mark-up accrued on advances and investments - foreign currencies		346,124	119,474
Accrued income, advances, deposits and other prepayments		2,204,545	1,782,442
Advance taxation (payments less provisions)		6,301,446	2,886,358
Compensation for delayed income tax refunds		239,947	606,399
Branch adjustment account		52,230	-
Non-banking assets acquired in satisfaction of claims	12.1	1,203,360	1,159,134
Unrealised gain on derivative financial instruments	12.2	496,032	449,550
Stationery and stamps on hand		69,499	85,004
Prepaid exchange risk fee		325	203
Receivable from the pension fund	36.3	7,773,482	5,656,386
Others		5,007,815	3,041,446
		<u>36,181,111</u>	<u>33,210,021</u>
Less: Provision held against other assets	12.3	<u>1,564,036</u>	<u>1,294,811</u>
		<u>34,617,075</u>	<u>31,915,210</u>

12.1 The market value of non-banking assets as per the valuation reports dated December 31, 2016 amounted to Rs. 1,180.751 million (2015: Based on valuation as of December 31, 2015 Rs. 1,203.499 million).

12.2 Unrealized gain on derivative financial instruments

	Contract / Notional amount		Unrealized gain	
	2016	2015	2016	2015
(Rupees in '000)				
Unrealised gain on:				
FX Options	1,034,994	1,460,979	15,685	27,574
Cross Currency Swaps	675,193	-	30,882	-
Forward exchange contracts	48,852,621	68,363,806	449,465	421,976
	<u>50,562,808</u>	<u>69,824,785</u>	<u>496,032</u>	<u>449,550</u>

12.3 Provision held against other assets

	2016	2015
(Rupees in '000)		
Opening balance	1,294,811	1,125,667
Charge for the year	325,515	158,353
Reversal during the year	(54,364)	(3,113)
	271,151	155,240
Write off	(1,213)	(7,382)
Exchange adjustments / reclassification	(713)	21,286
Closing balance	<u>1,564,036</u>	<u>1,294,811</u>

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2016 (2015: NIL).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

	2016	2015
	(Rupees in '000)	
14. BILLS PAYABLE		
In Pakistan	13,209,445	11,768,810
Outside Pakistan	81,883	206,427
	<u>13,291,328</u>	<u>11,975,237</u>
15. BORROWINGS		
In Pakistan	72,962,270	113,164,724
Outside Pakistan	4,476,723	5,450,307
	<u>77,438,993</u>	<u>118,615,031</u>
15.1 Particulars of borrowings with respect to currencies		
In local currency	72,962,270	113,164,724
In foreign currencies	4,476,723	5,450,307
	<u>77,438,993</u>	<u>118,615,031</u>
15.2 Details of borrowings (secured / unsecured)		
Secured		
Borrowings from State Bank of Pakistan		
Export refinance scheme	15.3 12,921,066	11,426,588
Long term financing facility	15.4 5,841,088	4,422,334
Long term financing - export oriented projects scheme	15.5 -	5,108
Financing Facility for Storage of Agricultural Produce	15.6 318,490	470,367
	<u>19,080,644</u>	<u>16,324,397</u>
Repurchase agreement borrowings	15.7 38,984,230	83,010,691
	<u>58,064,874</u>	<u>99,335,088</u>
Unsecured		
Borrowings from other financial institution	15.8 3,730,480	2,271,636
Call borrowings	15.9 15,487,782	16,511,769
Overdrawn nostro accounts	155,857	496,538
	<u>19,374,119</u>	<u>19,279,943</u>
	<u>77,438,993</u>	<u>118,615,031</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 for providing long term finance to customers for export oriented projects. As per the agreements with SBP, 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.

15.6 These Borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 2.50% to 3.50% per annum.

15.7 These carry mark-up rates ranging from 5.50% to 10.50% per annum (2015: 6.0% to 6.50% per annum) and are secured against government securities of carrying value of Rs. 38,991.212 million (2015: Rs. 83,009.095 million). These are repayable latest by August, 2017.

Notes to and forming part of the Consolidated Financial Statements

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15.8 These carry mark-up ranging from 1.50% to 12.70% per annum (2015: 1.45% to 12.70% per annum).

15.9 These carry mark-up ranging from 1% to 5.70% per annum (2015: 0.93% to 7.40% per annum). These are repayable by May, 2017.

16. DEPOSITS AND OTHER ACCOUNTS

	2016	2015
	(Rupees in '000)	
Customers		
Fixed deposits	49,292,487	48,746,900
Saving deposits	432,501,128	386,718,924
Current accounts	287,172,315	248,229,583
Margin accounts	7,003,787	5,217,836
	<u>775,969,717</u>	<u>688,913,243</u>
Financial institutions		
Remunerative deposits	12,657,796	10,964,397
Non-remunerative deposits	7,062,033	6,362,075
	<u>19,719,829</u>	<u>17,326,472</u>
	<u>795,689,546</u>	<u>706,239,715</u>
16.1 Particulars of deposits		
In local currency	744,307,725	660,286,051
In foreign currencies	51,381,821	45,953,664
	<u>795,689,546</u>	<u>706,239,715</u>

16.2 Deposits include deposits from related parties amounting to Rs. 11,246.638 million (2015: Rs. 11,421.715 million).

17. DEFERRED TAX LIABILITY / (ASSET) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

	Note	2016	2015
		(Rupees in '000)	
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	21.1	1,080,165	906,836
Surplus on revaluation of Non-banking assets		76,111	-
Accelerated tax depreciation		1,511,887	1,558,383
Receivable from pension fund		2,720,719	1,979,736
Investments in associated undertaking		1,563,003	1,092,940
Surplus / deficit on revaluation of securities	21.2	6,005,556	7,413,793
		<u>12,957,441</u>	<u>12,951,688</u>
Deductible temporary differences on:			
Provision for bad debts		(7,048)	-
Taxable losses		(34,142)	(32,754)
Provision for post retirement benefits		(7,945)	(436,647)
Others		(18,657)	-
		<u>(67,792)</u>	<u>(469,401)</u>
		<u>12,889,649</u>	<u>12,482,287</u>

Notes to and forming part of the Consolidated Financial Statements

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18. OTHER LIABILITIES

	Note	2016	2015
(Rupees in '000)			
Mark-up / return / interest payable in local currency		6,342,889	7,308,359
Mark-up / return / interest payable in foreign currencies		159,161	70,247
Accrued expenses	18.1	10,136,503	8,827,443
Unclaimed dividend		1,421,499	1,372,972
Staff welfare fund		5,628	7,948
Unrealised loss on derivative financial instruments	18.2	396,113	549,260
Provision for employees' compensated absences	36.3	1,053,870	986,818
Provision for post retirement medical benefits	36.3	2,104,444	1,717,108
Provision for employees' contributory benevolent scheme	36.3	209,352	195,881
Provision for gratuity	36.3	1,574	1,367
Security deposits		366,406	380,889
Branch adjustment account		-	152,609
Retention money		18,076	69,720
Insurance payable against consumer assets		450,012	290,550
Unclaimed balances		1,103,285	1,031,796
Duties and taxes payable		496,442	473,112
Others		7,155,396	6,055,052
		<u>31,420,650</u>	<u>29,491,131</u>

18.1 This includes provision for Workers' Welfare Fund amounting to Rs. 5.648 billion. During the current 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.

18.2 Unrealized loss on derivative financial instruments

	Contract / Notional amount		Unrealized loss	
	2016	2015	2016	2015
(Rupees in '000)				
Unrealized loss on :				
FX Options	1,034,994	1,460,979	15,685	27,574
Cross Currency Swaps	675,193	-	22,599	-
Forward exchange contracts	49,900,708	79,447,578	357,829	521,686
	<u>51,610,895</u>	<u>80,908,557</u>	<u>396,113</u>	<u>549,260</u>

19. SHARE CAPITAL

19.1 Authorised Capital

2016	2015		2016	2015
(Number of shares)			(Rupees in '000)	
<u>1,500,000,000</u>	<u>1,500,000,000</u>	Ordinary shares of Rs 10 each	<u>15,000,000</u>	<u>15,000,000</u>

19.2 Issued, subscribed and paid-up capital

2016			2015			2016	2015
Issued for cash	Issued as bonus share	Total	Issued for cash	Issued as bonus share	Total	(Rupees in '000)	
(Number of shares)							
197,253,795	915,776,953	1,113,030,748	197,253,795	915,776,953	1,113,030,748	11,130,307	11,130,307
-	-	-	-	-	-	-	-
<u>197,253,795</u>	<u>915,776,953</u>	<u>1,113,030,748</u>	<u>197,253,795</u>	<u>915,776,953</u>	<u>1,113,030,748</u>	<u>11,130,307</u>	<u>11,130,307</u>
						Opening balance	
						Shares issued during the year	
						Closing balance	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

19.3 Number of shares held by the associated undertakings as at December 31, are as follows:

	2016	2015
	(Number of shares)	
Adamjee Insurance Company Limited	42,945,187	38,102,387
Nishat Mills Limited	85,339,091	84,014,991
Din Leather (Private) Limited	6,936,333	6,936,333
Siddiqsons Limited	14,276,462	14,276,462
Mayban International Trust (Labuan) Berhad	222,606,147	222,606,147
	<u>372,103,220</u>	<u>365,936,320</u>

20. RESERVES

	Note	2016	2015
		(Rupees in '000)	
Share premium		9,924,438	9,924,438
Exchange translation reserve		84,593	269,360
Statutory reserve	20.1	24,903,602	22,697,586
General reserve		18,600,000	18,600,000
		<u>53,512,633</u>	<u>51,491,384</u>

20.1 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

	Note	2016	2015
		(Rupees in '000)	
21. SURPLUS ON REVALUATION OF ASSETS- NET OF TAX			
Surplus arising on revaluation (net of tax) of:			
- fixed assets	21.1	12,862,286	11,113,681
- available-for-sale securities	21.2	11,506,875	13,988,353
- Non-banking assets		141,349	-
- Associated undertaking		788,276	1,309,451
		<u>25,298,786</u>	<u>26,411,485</u>
21.1 Surplus on revaluation of fixed assets-net of tax			
Surplus on revaluation of fixed assets as at January 01		12,020,517	12,189,315
Surplus during the year		2,107,260	-
Surplus realised on disposal of revalued properties - net of deferred tax		(88,550)	(88,695)
Related deferred tax liability		(21,952)	(3,610)
		(110,502)	(92,305)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(48,636)	(49,434)
Related deferred tax liability		(26,188)	(27,059)
		(74,824)	(76,493)
Surplus on revaluation of fixed assets as at December 31		13,942,451	12,020,517
Less: Related deferred tax liability on:			
Revaluation as at January 01		906,836	937,505
Surplus during the year		221,469	-
Disposal of revalued properties during the year transferred to profit and loss account		(21,952)	(3,610)
Incremental depreciation charged during the year transferred to profit and loss account		(26,188)	(27,059)
	17	1,080,165	906,836
		<u>12,862,286</u>	<u>11,113,681</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
21.2 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		(67,299)	74,769
- Pakistan Investment Bonds		12,900,940	20,768,272
- Shares / Certificates / Units		4,263,461	341,837
- Open Ended Mutual Funds / NIT		384,000	222,390
- Investment in REIT		(2,064)	(4,288)
- Term Finance Certificates		3,491	7,845
Sukuk Bonds		4,648,888	567,784
		29,902	(8,679)
		17,512,431	21,402,146
Related deferred tax liability	17	(6,005,556)	(7,413,793)
		11,506,875	13,988,353

21.2.1 This includes balance of Rs. 180.828 million (2015: 112.322 million) relating to non-controlling interest.

22. CONTINGENCIES AND COMMITMENTS

	Note	2016	2015
(Rupees in '000)			
22.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring			
Government		28,098,810	21,934,238
Banks and financial institutions		3,848,002	2,032,180
Others		2,010,891	1,965,279
		33,957,703	25,931,697
22.2 Transaction-related contingent liabilities			
Guarantees in favour of			
Government		16,486,907	9,961,864
Banks and financial institutions		60,034	585,970
Others		12,671,980	9,461,583
Suppliers' credit / payee guarantee		1,930,979	2,235,176
		31,149,900	22,244,593
22.3 Trade-related contingent liabilities		131,203,542	116,434,886
22.4 Other contingencies			
Claims against the Bank not acknowledged as debts		7,345,639	5,350,286
<p>These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.</p>			
22.5 Commitments to extend credit			
<p>The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.</p>			
22.6 Commitments in respect of forward foreign exchange contracts			
Purchase		49,411,339	75,975,136
Sale		49,341,990	71,836,248
22.7 Commitments for the acquisition of fixed assets		651,060	190,608
22.8 Other commitments			
FX options (notional amount)	23.1 & 23.2		
Purchase		1,034,994	1,460,979
Sale		1,034,994	1,460,979
Cross Currency Swaps (Notional)		1,350,386	-
Forward repurchase agreement borrowings		1,000,000	-
Forward call borrowings		400,000	-
Outright purchase of Government Securities		200,850	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

22.9 Taxation

For assessment year 1988-89 through tax year 2015, 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. 2,873 million (2015: Rs. 2,747 million) which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

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

23. DERIVATIVE INSTRUMENTS

Most 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.

Bank has acquired a derivatives processing system providing front end platforms, risk management systems and online execution utilities. 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 bank does not carry market risk on these transactions.

Risk Limits

The Board of Director 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

For the year ended December 31, 2016

23.1 Product analysis

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
Counter parties	2015					
	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	-	-	-	-	37	1,460,979
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	37	1,460,979
Total						
Hedging	-	-	-	-	37	1,460,979
Market Making	-	-	-	-	37	1,460,979

23.2 Maturity analysis

Remaining maturity	2016				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	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
Remaining maturity	2015				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
Upto 1 month	32	1,082,980	(6,101)	6,101	-
Over 1 to 3 months	30	1,025,161	(10,557)	10,557	-
Over 3 to 6 months	10	486,311	(7,194)	7,194	-
Over 6 to 1 year	2	327,506	(3,722)	3,722	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

	2016	2015
	(Rupees in '000)	
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	24,051,360	26,376,480
On investments in:		
Held for trading securities	86,415	52,926
Available for sale securities	42,935,590	53,290,916
Held to maturity securities	1,531,649	767,591
	44,553,654	54,111,433
On deposits with financial institutions	311,579	176,183
On securities purchased under resale agreements	107,119	163,629
On money at call	12,108	12,781
	<u>69,035,820</u>	<u>80,840,506</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	18,707,481	23,367,740
Securities sold under repurchase agreements	3,525,219	5,289,380
Other short-term borrowings	1,216,153	1,915,252
Discount, commission and brokerage	655,859	491,701
Others	131,549	107,780
	<u>24,236,261</u>	<u>31,171,853</u>
26. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	3,963	171,638
Pakistan Investment Bonds	3,688,179	2,135,207
Sukuk Bonds	(1,222)	(803)
Others		
Shares and units - Listed	1,808,038	2,037,952
	<u>5,498,958</u>	<u>4,343,994</u>
27. OTHER INCOME		
Rent on property / lockers	277,590	272,637
Net profit on sale of property and equipment	83,172	133,443
Bad debts recovered	33,753	52,202
Compensation on tax refunds	1,201	1,444,324
Postal, SWIFT and other charges recovered	142,209	181,748
Switch and outsourcing revenue	2,719	3,766
	<u>540,644</u>	<u>2,088,120</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		9,582,166	9,521,220
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	36.9	(516,462)	(775,903)
- Post retirement medical benefits	36.9	171,293	166,934
- Employees' contributory benevolent scheme	36.9	17,833	19,693
- Employees' compensated absences	36.9	228,691	141,585
- Gratuity scheme	36.9	341	383
		(98,304)	(447,308)
Contributions to defined contribution plan - provident fund		257,631	236,780
Non-executive directors' fees		35,432	34,586
Rent, taxes, insurance and electricity		2,886,739	2,954,883
Legal and professional charges		293,866	249,639
Communications		1,163,075	1,238,179
Repairs and maintenance		1,910,388	1,714,830
Stationery and printing		564,028	621,898
Advertisement and publicity		493,586	356,959
Cash transportation charges		598,730	547,810
Instrument clearing charges		127,658	145,226
Donations	28.1	12,700	6,224
Auditors' remuneration	28.2	34,482	45,539
Depreciation	11.2	1,638,416	1,634,832
Depreciation on Non-Banking Assets		29,216	-
Amortization of intangible asset	11.3	385,749	385,915
Travelling, conveyance and fuel		412,916	334,732
Subscription		38,349	57,587
Entertainment		199,836	180,538
Training expenses		56,965	46,078
Petty capital items		71,484	60,458
Card related expenses		414,809	348,437
Outsourced security guards, tea services and janitorial expenses etc		2,258,612	2,079,721
CNIC verification charges		76,456	63,123
Others		183,227	148,799
		23,628,212	22,566,685

28.1 Detail of donation made during the last year is as follows:

	2016	2015
(Rupees in '000)		
Children's Hospital Lahore	5,000	-
Govt Hospital Gwadar	1,000	-
Sri-Lanka Pakistan Friendship Association for rehabilitation of flood victims	715	-
Pink Ribbon (media time donated)	1,484	1,555
Shaukat Khanam Hospital (media time donated)	1,376	2,019
The Institute of Chartered Accountants of Pakistan	2,000	500
Old Ravians Association Lahore	300	100
LUMS Entrepreneurial Society	300	-
Lahore Businessmen Association for Rehabilitation of the Disabled	400	-
Kinnaird Entrepreneurial Club	125	-
Frontier Works Organization - M2 Horticulture Initiative	-	850
Shaukat Khanum Hospital Peshawar	-	500
NUST Scholars Support Program	-	300
Suleman Dawood School of Business Luminites	-	250
South Asian Federation of Exchange	-	150
	12,700	6,224

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

28.2 Auditors' remuneration

Annual Audit fee	13,000	13,885
Fee for audit and other certifications of overseas branches	9,219	7,569
Fee for audit of subsidiaries	5,431	3,980
Tax and other certifications	4,240	14,796
Sales tax	1,297	2,635
Out-of-pocket expenses	1,295	2,674
	34,482	45,539

Notes and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

	Note	2016	2015
(Rupees in '000)			
29. OTHER CHARGES			
Penalties of State Bank of Pakistan		4,168	-
Workers welfare fund		730,368	855,323
VAT and Crop Insurance Levy - Sri Lanka		76,538	43,978
Education cess		24,436	16,319
Impairment / loss on sale of Non-banking assets	29.1	88,985	21,533
		<u>924,495</u>	<u>937,153</u>
29.1	This represents loss on sale of two non banking assets, amounting to Rs. 83.985 million and Rs. 5.00 million .		
30. TAXATION			
For the year			
Current		12,503,868	14,569,863
Deferred		177,995	496,663
		<u>12,681,863</u>	<u>15,066,526</u>
Prior years			
Current	30.1	1,682,063	1,894,674
Deferred		-	713,157
		<u>1,682,063</u>	<u>2,607,831</u>
Share of tax of associates		<u>182,786</u>	<u>79,171</u>
		<u>14,546,712</u>	<u>17,753,528</u>
30.1	The Finance Act 2016 levied super tax at the rate of 4 percent of the taxable income for the tax year 2016, i.e. accounting year ended December 31, 2015. The effect of above levy has been incorporated in these consolidated financial statements and an amount of Rs.1,676 million (December 31, 2015: Rs.1,906 million) has been recognised as prior year tax charge.		
30.2 Relationship between tax expense and accounting profit			
Accounting profit for the year		<u>36,720,857</u>	<u>42,788,640</u>
Tax rate		35%	35%
Tax on income		12,852,300	14,976,024
Tax effect of permanent differences		1,459	-
Tax effect of prior years		1,682,063	2,607,831
Others		10,890	169,673
Tax charge for the year		<u>14,546,712</u>	<u>17,753,528</u>
31. CREDIT RATING			
PACRA through its notification dated June 24, 2016 has maintained bank's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus].			
32. BASIC AND DILUTED EARNINGS PER SHARE - PRE TAX			
Profit before taxation		<u>36,720,857</u>	<u>42,788,640</u>
		(Number of shares)	
Weighted average number of shares outstanding during the year		<u>1,113,030,748</u>	<u>1,113,030,748</u>
		(Rupees)	
Basic and diluted earnings per share - pre tax		<u>32.99</u>	<u>38.44</u>

Notes to and forming part of the Consolidated Financial Statements

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		(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX			
Profit after taxation attributable to ordinary shareholders		22,062,988	24,910,001
		(Number of shares)	
Weighted average number of shares outstanding during the year		1,113,030,748	1,113,030,748
		(Rupees)	
Basic and diluted earnings per share - after tax		19.82	22.38

	Note	2016	2015
(Rupees in '000)			
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	75,732,185	61,265,859
Balances with other banks	7	7,201,459	10,058,662
Overdrawn nostro accounts	15	(155,857)	(496,538)
		<u>82,777,787</u>	<u>70,827,983</u>
	Note	2016	2015
(Numbers)			

35. STAFF STRENGTH			
Permanent		11,740	10,899
Temporary/contractual basis		185	97
Bank's own staff strength at the end of the year		<u>11,925</u>	<u>10,996</u>
Outsourced	35.1	1,405	1,495
Total staff strength		<u>13,330</u>	<u>12,491</u>

35.1 This excludes outsourced security guards and tea services staff.

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

The Bank operates the following retirement benefits for its employees:

- Pension fund (final salary plan) - funded
- Benevolent scheme - unfunded
- Post retirement medical benefits - unfunded
- Employees compensated absence - unfunded
- Gratuity Scheme - unfunded (MNET Services Private Limited)

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

36.2 Principal actuarial assumptions

The latest actuarial valuations of the pension fund, gratuity scheme, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2016. The principal actuarial assumptions used are as follows:

	Gratuity Scheme		Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Valuation discount rate	10.75	10	8	10	8	10	8	10	8	10
Expected rate of return on plan assets	-	-	8	10	-	-	-	-	-	-
Salary increase rate	8.75	8	6.75	8.75	6.75	8.75	-	8.75	6.75	8.75
Medical cost inflation rate	-	-	-	-	-	-	5	10	-	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

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	Gratuity Scheme		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	(Rupees in '000)										
Present value of defined benefit obligations	36.5	1,574	1,367	3,519,114	3,507,849	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818
Fair value of plan assets	36.6	-	-	(11,292,596)	(9,164,235)	-	-	-	-	-	-
Net (receivable) / payable		1,574	1,367	(7,773,482)	(5,656,386)	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818

36.4 Movement in (receivable from) / payable to defined benefit plans

Note	Gratuity Scheme		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	(Rupees in '000)										
Opening balance of (receivable) / payable		1,367	1,371	(5,656,386)	(7,263,254)	195,881	179,409	1,717,108	1,498,996	986,818	987,060
(Reversal) / charge for the year	36.9	341	383	(516,462)	(775,903)	17,833	19,693	171,293	166,934	228,691	141,585
Employees' contribution		-	-	-	-	4,535	5,130	-	-	-	-
Benefits paid		-	-	-	-	(42,261)	(45,834)	(150,554)	(143,445)	(161,639)	(173,075)
Other comprehensive income		(134)	(387)	(1,600,634)	2,382,771	33,364	37,483	366,597	194,623	-	31,248
Closing balance of (receivable) / payable		1,574	1,367	(7,773,482)	(5,656,386)	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818

36.5 Reconciliation of the present value of the defined benefit obligations

Note	Gratuity Scheme		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	(Rupees in '000)										
Opening balance		1,367	1,371	3,507,849	3,242,851	195,881	179,409	1,717,108	1,498,996	986,818	987,060
Current service cost		204	237	49,177	41,213	4,893	7,218	7,110	6,366	138,091	40,276
Interest cost		137	146	326,678	344,182	17,475	17,605	164,183	160,568	90,600	101,309
Benefits paid		-	-	(482,130)	(366,900)	(42,261)	(45,834)	(150,554)	(143,445)	(161,639)	(173,075)
Actuarial (gain) / losses											
-(Gain) / loss from change in demographic assumptions		-	-	-	-	-	-	-	-	-	-
-(Gain) / loss from change in financial assumptions		-	(76)	-	254,758	41,666	30,372	278,335	207,963	-	7,648
-Experience adjustment (gain) / loss		(134)	(311)	117,540	(8,255)	(8,302)	7,111	88,262	(13,340)	-	23,600
		(134)	(387)	117,540	246,503	33,364	37,483	366,597	194,623	-	31,248
Closing balance		1,574	1,367	3,519,114	3,507,849	209,352	195,881	2,104,444	1,717,108	1,053,870	986,818

36.6 Reconciliation of fair value of plan assets

Note	Gratuity Scheme		Approved Pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	(Rupees in '000)										
Opening balance		-	-	9,164,235	10,506,105	-	-	-	-	-	-
Expected return on plan assets		-	-	892,317	1,161,298	-	-	-	-	-	-
Benefits paid		-	-	(482,130)	(366,900)	-	-	-	-	-	-
Actuarial gain / (loss)		-	-	1,718,174	(2,136,268)	-	-	-	-	-	-
Closing balance	36.8	-	-	11,292,596	9,164,235	-	-	-	-	-	-

36.7 Actual return on plan assets

Actual return on plan assets		-	-	2,610,491	(974,970)	-	-	-	-	-	-
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Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

36.8 Composition of fair value of plan assets

	Approved Pension Fund			
	2016		2015	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Listed equity shares	10,814,996	95.77	7,800,801	85.12
Open ended mutual funds units	186,609	1.65	435,283	4.75
Term Finance certificates	101,034	0.90	98,941	1.08
Cash and bank balances	189,957	1.68	829,210	9.05
Fair value of plan total assets	11,292,596	100	9,164,235	100

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

Shares of MCB	4,605,770	3,789,372
Bank balance with MCB	189,957	829,210
	4,795,727	4,618,582

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:

	Gratuity Scheme		Approved Pension Fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)									
Current service cost	204	237	49,177	41,213	4,893	7,218	7,110	6,366	138,091	40,276
Interest cost	137	146	326,678	344,182	17,475	17,605	164,183	160,568	90,600	101,309
Expected return on plan assets	-	-	(892,317)	(1,161,298)	-	-	-	-	-	-
Employees' contribution	-	-	-	-	(4,535)	(5,130)	-	-	-	-
	341	383	(516,462)	(775,903)	17,833	19,693	171,293	166,934	228,691	141,585

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, 2017 would be as follows:

	Gratuity Scheme		Approved Pension Fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)									
Expected (reversal) / charge for the next year		387	(571,586)		16,198		179,517		116,676	

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:

	Gratuity Scheme		Approved Pension Fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)									
Increase in discount Rate by 1 %	214		(292,686)		(16,995)		(193,400)		(69,173)	
Decrease in discount Rate by 1 %	259		226,372		19,886		216,120		78,278	
Increase in expected future increment in salary by 1 %	265		73,503		-		-		78,470	
Decrease in expected future increment in salary by 1 %	(222)		(67,087)		-		-		(70,565)	
Increase in Medical inflation rate by 1 %	-		-		-		141,620		-	
Decrease in Medical inflation rate by 1 %	-		-		-		(119,120)		-	

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36.12 Five year data of defined benefit plan and experience adjustments
36.12.1 Approved Pension Fund

	2016	2015	2014	2013	2012
	(Rupees in '000)				
Present value of defined benefit obligation	3,519,114	3,507,849	3,242,851	3,834,422	4,259,671
Fair value of plan assets	(11,292,596)	(9,164,235)	(10,506,105)	(9,688,629)	(22,688,154)
Surplus	(7,773,482)	(5,656,386)	(7,263,254)	(5,854,207)	(18,428,483)
Actuarial gain / (loss) on obligation	(117,540)	(246,503)	259,549	(83,090)	20,130
Actuarial gain / (loss) on assets	1,718,174	(2,136,268)	317,809	539,261	1,194,359
36.12.2 Employees' Contributory Benevolent Scheme					
Present value of defined benefit obligation	209,352	195,881	179,409	213,438	257,089
Fair value of plan assets	-	-	-	-	-
	209,352	195,881	179,409	213,438	257,089
Actuarial gain / (loss) on obligation	(33,364)	(37,483)	(206)	4,974	26,335
36.12.3 Post Retirement Medical Benefits					
Present value of defined benefit obligation	2,104,444	1,717,108	1,498,996	1,340,476	1,565,634
Fair value of plan assets	-	-	-	-	-
	2,104,444	1,717,108	1,498,996	1,340,476	1,565,634
Actuarial gain / (loss) on obligation	(366,597)	(194,623)	(189,018)	178,939	(129,950)
36.12.4 Compensated absences					
Present value of defined benefit obligation	1,053,870	986,818	987,060	934,009	594,100
Fair value of plan assets	-	-	-	-	-
	1,053,870	986,818	987,060	934,009	594,100
Actuarial gain / (loss) on obligation	-	(31,248)	(173,480)	(564,126)	(141,920)

37. DEFINED CONTRIBUTION PLAN
37.1 MCB Bank Limited(Holding company)

The Bank operates an approved contributory provident fund for 8,144 (2015: 8,262) employees where contributions are made by the Bank and employees at 8.33% per annum (2015: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs.245.001 million (2015: Rs. 234.092 million) in respect of this fund.

The Bank also operates an approved non-contributory provident fund for 958 (2015:1,031) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 12.50% per annum (2015: 8.33% to 12.5% per annum) of the basic salary.

37.2. MCB Islamic Bank Limited

The Bank operates a provident fund scheme 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. During the year, the Bank contributed Rs.12.630 million (2015: Rs. 2.075 million) in respect of this fund.

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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. During the year, the company contributed Rs.0.666 million (2015: Rs.613 million) in respect of this fund.

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	
	2016	2015	2016	2015	2016	2015
	(Rupees in '000)					
Fees	-	-	35,432	34,586	-	-
Managerial remuneration and bonus	68,973	66,023	-	-	2,653,590	2,302,965
Retirement benefits	2,654	2,457	-	-	123,064	101,051
Rent and house maintenance	14,330	13,268	-	-	615,908	512,179
Utilities	3,184	2,948	-	-	137,219	114,649
Medical	-	-	-	-	40,100	33,965
Conveyance	-	-	-	-	548,517	517,139
	89,141	84,696	35,432	34,586	4,118,398	3,581,948
Number of persons	1	1	15	12	1,432	1,216

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 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 consolidated financial statements.

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

In the opinion of the management, the fair value of the 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 Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and building.

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	Fair Value							
	2016				2015			
	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	147,284	-	-	147,284	153,562	-	-	153,562
- Units in open ended mutual funds	358,419	-	-	358,419	420,261	-	-	420,261
- Pakistan Investment Bonds	-	-	-	-	-	209,255	-	209,255
	505,703	-	-	505,703	573,823	209,255	-	783,078
Available-for-sale securities								
- Market Treasury Bills	-	296,652,703	-	296,652,703	-	225,250,817	-	225,250,817
- Pakistan Investment Bonds	-	204,586,538	-	204,586,538	-	300,601,447	-	300,601,447
- Shares in listed companies & REIT	22,391,711	-	-	22,391,711	15,342,670	-	-	15,342,670
- Units in open ended mutual funds	812,201	-	-	812,201	522,853	-	-	522,853
- NIT units	9,682	-	-	9,682	6,995	-	-	6,995
- Sukuks Bonds	-	3,556,411	-	3,556,411	-	1,937,955	-	1,937,955
- Term Finance Certificates (TFCs)	-	335,958	-	335,958	-	506,645	-	506,645
	23,213,594	505,131,610	-	528,345,204	15,872,518	528,296,864	-	544,169,382
Non-Financial Assets measured at fair value								
Operating fixed assets (land and buildings)	-	27,957,849	-	27,957,849	-	24,721,148	-	24,721,148
Non-banking assets	-	1,203,360	-	1,203,360	-	1,159,134	-	1,159,134
Off balance sheet financial instruments								
FX options purchase	-	1,037,011	-	1,037,011	-	1,488,553	-	1,488,553
FX options sale	-	1,032,977	-	1,032,977	-	1,433,405	-	1,433,405
Cross currency swaps - long position	-	706,075	-	706,075	-	-	-	-
Cross currency swaps - short position	-	652,594	-	652,594	-	-	-	-
Foreign exchange contracts purchase	-	49,155,812	-	49,155,812	-	75,818,923	-	75,818,923
Foreign exchange contracts sale	-	49,689,153	-	49,689,153	-	71,892,751	-	71,892,751

The valuation techniques used for above assets are same as disclosed in note 5.2 of these consolidated 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 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.

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)	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.

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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)							
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	162,213	20,456,024	12,035,346	3,741,808	325,466	-	22,174,145
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	862,747	665,776,637	841,255,373	305,115,468	2,238,090	(725,920,405)	1,095,629,356
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	655,488	572,076,352	806,319,110	264,095,443	614,529	(725,920,405)	930,730,166
Segment return on assets (ROA) (%)	29.55%	3.57%	3.65%	2.39%	27.83%	-	-
Segment cost of fund (%)	-	6.04%	3.35%	4.66%	-	-	-
(Rupees in '000)							
2015							
Total income	314,567	23,899,448	33,586,397	8,542,254	651,123	(600)	66,993,189
Total expenses	(90,296)	(4,642,968)	(16,805,836)	(2,380,229)	(285,820)	600	(24,204,549)
Income tax expense	-	-	-	-	-	-	(17,753,528)
Net income	224,271	19,256,480	16,780,561	6,162,025	365,303	-	25,035,112
Segment assets - (Gross of NPL's provision)	822,719	655,663,935	769,670,048	263,405,917	2,062,527	(655,682,574)	1,035,942,572
Advance taxation (payments less provisions)	-	-	-	-	-	-	2,886,358
Total assets	822,719	655,663,935	769,670,048	263,405,917	2,062,527	(655,682,574)	1,038,828,930
Segment non performing loans	-	-	7,478,832	12,890,393	-	-	20,369,225
Segment specific provision required	-	-	7,549,876	10,299,033	-	-	17,848,909
Segment liabilities	157,575	577,518,120	714,314,915	229,438,975	574,103	(655,682,574)	866,321,114
Deferred tax liability	-	-	-	-	-	-	12,482,287
Total liabilities - net	157,575	577,518,120	714,314,915	229,438,975	574,103	(655,682,574)	878,803,401
Segment return on assets (ROA) (%)	38.24%	3.65%	4.46%	3.37%	31.57%	-	-
Segment cost of fund (%)	-	7.39%	4.38%	7.13%	-	-	-

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 6) 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	
	2016	2015	2016	2015	2016	2015	2016	2015
(Rupees in '000)								
A. Balances								
Deposits								
Opening balance	1,723,267	3,386,220	2,879,836	1,719,822	6,654,051	11,923,096	164,561	135,024
Received during the year	4,261,071	3,475,543	26,649,366	11,102,914	59,612,389	49,939,641	668,064	829,605
Withdrawn during the year	(3,435,469)	(5,138,496)	(26,837,503)	(9,942,900)	(60,385,764)	(55,208,686)	(707,231)	(800,068)
Closing balance	2,548,869	1,723,267	2,691,699	2,879,836	5,880,676	6,654,051	125,394	164,561
Advances								
Opening balance	23,190	1,549	519,403	-	-	21,918	133,323	88,073
Additions / adjustments during the year	-	22,304	452,350	556,793	2,398,324	-	62,886	60,841
Repaid during the year	(9,059)	(663)	(311,185)	(37,390)	(2,136,211)	(21,918)	(42,378)	(15,591)
Closing balance	14,131	23,190	660,568	519,403	262,113	-	153,831	133,323
(Rupees in '000)								
Other Balances								
Outstanding balance of credit cards	731	770	-	-	225	480	2,537	1,380
Receivable from Pension Fund	-	-	-	-	7,773,482	5,656,386	-	-
Commitments and contingent liabilities - outstanding	-	-	10,361	8,937	373,856	531,782	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	3,241,054	6,459,845	-	-
Unrealized gain / (loss) on forward foreign exchange contracts - outstanding	-	-	-	-	17,286	(6,254)	-	-
Borrowings outstanding	-	-	-	-	936,788	1,047,410	-	-
Trade payable	-	-	30,601	44,472	-	14,857	-	-
Markup payable	7,266	6,212	7,985	6,876	19,968	53,764	449	456
Other payable	4,266	3,546	17,829	862	70,750	5,725	84	764
Other advances	-	-	2,999	2,684	51,492	20,000	-	-
Markup receivable	-	-	-	-	3,163	776	1,152	689
Other receivable	-	97	5,257	14,815	478,615	456,631	1,515	28
Commission receivable	-	-	114,557	34,964	1	2	-	-

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B. Transactions during the year

	Directors		Associates		Other related parties		Key management	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees in '000)							
Insurance premium-net of refund	-	-	496,119	364,398	-	-	-	-
Insurance claim settled	-	-	9,280	6,290	-	-	-	-
Markup income on advances and lendings	1,070	62	50,307	29,420	23,597	2,231	7,743	4,847
Forward exchange contracts matured during the year	-	-	-	-	55,539,270	101,360,304	-	-
Gain / (loss) on forward foreign exchange contracts matured during the year	-	-	-	-	(68,666)	(129,339)	-	-
Investments in units	-	-	-	-	1,881,227	1,338,193	-	-
Redemption of units	-	-	-	-	1,854,921	1,510,455	-	-
Management fee and Advisory income	-	-	23,451	-	631,080	575,816	-	-
Dividend income	-	-	273,641	295,416	7,357	51,774	-	-
Commission income	-	-	738,442	722,117	12,892	14,604	-	-
Rent income and reimbursement of other expenses	-	-	3,088	-	47,024	6,515	-	-
Outsourcing service expenses	-	-	138,996	130,724	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	50	15
Gain / (loss) on sale of fixed assets	-	-	-	-	-	-	50	15
Cash sorting expenses	-	-	-	-	55,168	58,398	-	-
Stationery expenses	-	-	-	-	176,261	194,207	-	-
Security guards expenses	-	-	-	-	439,030	400,551	-	-
Remuneration and non-executive directors fee	124,753	119,432	-	-	-	-	408,837	397,888
Mark-up expense	75,468	106,098	58,446	72,552	245,864	648,917	1,794	1,787
Clearing expenses paid to NIFT	-	-	-	-	126,393	141,433	-	-
Contribution to provident fund / pension fund	-	-	-	-	270,806	236,932	-	-
Gas charges	-	-	-	-	-	16,875	-	-
Rent and other expenses	-	-	6,811	7,981	22,416	721	-	-
Call borrowing deals entered and matured during the year	-	-	-	-	2,295,000	1,095,000	-	-
Sale of government securities	-	-	3,100,904	619,786	9,453,431	6,702,779	-	1,893
Purchase of government securities	-	-	7,094,110	250,313	10,165,703	1,417,818	-	-
Gain / (loss) on sale of government securities	-	-	(24)	-	3,173	33,472	-	7
Miscellaneous expenses and payments	-	-	-	-	44,232	50,963	-	-

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.

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42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Applications

The Basel-III Framework is applicable to the bank both at the consolidated level (comprising of wholly/partially owned subsidiaries & associates) and on a stand alone basis. 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, 2016 stands at Rs. 11.130 billion and is in compliance with the SBP requirement.

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

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

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

- *Capital Conservation Buffer (CCB) Consisting of CET1 only

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

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 60% of remaining 55% for 2016 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 (10.65% 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. Further, there has been no material change in the Bank's management of capital during the year.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

42.3 Capital Adequacy Ratio

	2016	2015
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital	11,130,307	11,130,307
2 Balance in Share Premium Account	9,924,438	9,924,438
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	43,503,602	41,297,586
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	55,509,013	52,631,368
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)	509,331	512,076
9 CET 1 before Regulatory Adjustments	120,576,691	115,495,775
10 Total regulatory adjustments applied to CET1 (Note 42.3.1)	5,196,910	4,407,284
11 Common Equity Tier 1	115,379,781	111,088,491
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)	115,379,781	111,088,491
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	760,194	655,426
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	10,067,718	7,511,585
29 of which: Unrealized gains/losses on AFS	9,555,083	10,184,110
30 Foreign Exchange Translation Reserves	84,593	269,360
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	20,467,588	18,620,481
33 Total regulatory adjustment applied to T2 capital (Note 42.3.3)	1,075,032	1,636,850
34 Tier 2 capital (T2) after regulatory adjustments	19,392,556	16,983,631
35 Tier 2 capital recognized for capital adequacy	19,392,556	16,983,631
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	19,392,556	16,983,631
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	134,772,337	128,072,122
39 Total Risk Weighted Assets (RWA) {for details refer Note 42.6}	684,872,372	638,001,619
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	16.85%	17.41%
41 Tier-1 capital to total RWA	16.85%	17.41%
42 Total capital to total RWA	19.68%	20.07%

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For the year ended December 31, 2016

	2016	2015
	(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)	10.85%	11.41%
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	10.65%	10.25%
Leverage Ratio		
Tier 1 Capital	115,379,781	111,088,491
Total Exposures	1,335,866,401	1,312,382,296
Leverage Ratio	8.64%	8.46%

Regulatory Adjustments and Additional Information

	2016	2015
	Amount	Amounts subject to Pre - Basel III treatment
	(Rupees in '000)	

42.3.1 Common Equity Tier 1 capital: Regulatory adjustments

1 Goodwill (net of related deferred tax liability)	82,127	-	82,127
2 All other intangibles (net of any associated deferred tax liability)	1,008,093		1,217,647
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	3,031,658	5,052,763	1,470,660
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-		-
7 Cash flow hedge reserve	-		-
8 Investment in own shares/ CET1 instruments	-		-
9 Securitization gain on sale	-		-
10 Capital shortfall of regulated subsidiaries	-		-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-
15 Amount exceeding 15% threshold	-		-
16 of which: significant investments in the common stocks of financial entities	-		-
17 of which: deferred tax assets arising from temporary differences	-		-
18 National specific regulatory adjustments applied to CET1 capital	-		-
19 Investments in TFCs of other banks exceeding the prescribed limit	-		-
20 Any other deduction specified by SBP (mention details)	-		-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions*	1,075,032		1,636,850
22 Total regulatory adjustments applied to CET1	5,196,910		4,407,284

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

	2016	2015
	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	1,075,032	1,636,850
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	1,075,032	1,636,850
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33 Investment in own Tier 2 capital instrument	-	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36 Total regulatory adjustment applied to T2 capital	1,075,032	1,636,850
42.3.4 Additional Information		
	2016	2015
(Rupees in '000)		
Risk Weighted Assets subject to pre-Basel III treatment		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i) of which: deferred tax assets	-	-
(ii) of which: Defined-benefit pension fund net assets	2,021,105	2,205,990
(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)	760,194	655,426
42 Cap on inclusion of provisions in Tier 2 under standardized approach	5,799,105	5,293,589
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

42.4 Capital Structure Reconciliation

Step 1	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2016	As at 31-12-2016	
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	75,732,185	75,732,185	
Balanced with other banks	7,201,459	7,201,459	
Lending to financial institutions	2,809,752	2,809,752	
Investments	556,770,384	556,770,384	
Advances	364,333,516	364,333,516	
Operating fixed assets	35,225,865	35,225,865	
Deferred tax assets	-	-	
Other assets	34,617,075	34,617,075	
Total assets	1,076,690,236	1,076,690,236	
Liabilities & Equity			
Bills payable	13,291,328	13,291,328	
Borrowings	77,438,993	77,438,993	
Deposits and other accounts	795,689,546	795,689,546	
Sub-ordinated loans	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	12,889,649	12,889,649	
Other liabilities	31,420,650	31,420,650	
Total liabilities	930,730,166	930,730,166	
Share capital	11,130,307	11,130,307	
Reserves	53,512,633	53,512,633	
Unappropriated profit	55,509,013	55,509,013	
Minority Interest	509,331	509,331	
Total Equity	120,661,284	120,661,284	
Surplus on revaluation of assets - net of tax	25,298,786	25,298,786	
Total liabilities & equity	1,076,690,236	1,076,690,236	
Step 2			
	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2016	As at 31-12-2016	
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	75,732,185	75,732,185	
Balanced with other banks	7,201,459	7,201,459	
Lending to financial institutions	2,809,752	2,809,752	
Investments	556,770,384	556,770,384	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others	-	-	e

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

Step 2	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2016	As at 31-12-2016	
	(Rupees in '000)		
Advances	364,333,516	364,333,516	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	760,194	760,194	g
Fixed Assets	35,225,865	35,225,865	
of which: Goodwill	82,127	82,127	j
of which: Intangibles	1,008,093	1,008,093	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	34,617,075	34,617,075	
of which: Defined-benefit pension fund net assets	7,773,482	7,773,482	l
Total assets	1,076,690,236	1,076,690,236	
Liabilities & Equity			
Bills payable	13,291,328	13,291,328	
Borrowings	77,438,993	77,438,993	
Deposits and other accounts	795,689,546	795,689,546	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	12,889,649	12,889,649	
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	2,720,719	2,720,719	q
of which: other deferred tax liabilities	10,168,930	10,168,930	r
Other liabilities	31,420,650	31,420,650	
Total liabilities	930,730,166	930,730,166	
Share capital	21,054,745	21,054,745	
of which: amount eligible for CET1	21,054,745	21,054,745	s
of which: amount eligible for AT1	-	-	t
Reserves	43,588,195	43,588,195	
of which: portion eligible for inclusion in CET1 (general reserve & statutory reserve)	43,503,602	43,503,602	u
of which: portion eligible for inclusion in Tier 2	84,593	84,593	v
Unappropriated profit	55,509,013	55,509,013	w
Minority Interest	509,331	509,331	
of which: portion eligible for inclusion in CET1	509,331	509,331	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	25,298,786	25,298,786	
of which: Revaluation reserves on fixed assets	12,907,331	12,907,331	
of which: Unrealized Gains/Losses on AFS	12,250,106	12,250,106	aa
of which: Revaluation reserves on Non-banking assets	141,349	141,349	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	145,960,070	145,960,070	
Total liabilities and equity	1,076,690,236	1,076,690,236	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital	11,130,307
2	Balance in Share Premium Account	9,924,438 (s)
3	Reserve for issue of Bonus Shares	-
4	General/ Statutory Reserves	43,503,602 (u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/(losses)	55,509,013 (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)	509,331 (x)
8	CET 1 before Regulatory Adjustments	120,576,691
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)	1,008,093 (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) * 60%
13	Defined-benefit pension fund net assets	3,031,658 {(l) - (q) * 60%
14	Reciprocal cross holdings in CET1 capital instruments	- (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	-
28	Any other deduction specified by SBP	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,075,032
30	Total regulatory adjustments applied to CET1	5,196,910
31	Common Equity Tier 1	115,379,781
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	-

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	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
Additional Tier 1 Capital: regulatory adjustments		
38	-	
39	-	
40	-	
41	-	
42	-	(ac)
43	-	(ad)
44	1,075,032	
45	-	
46	-	
47.	-	
48	115,379,781	
Tier 2 Capital		
49	-	
50	-	(n)
51	-	(z)
52	-	
53	760,194	(g)
54	19,622,801	
55	10,067,718	portion of (aa)
56	9,555,083	
57	84,593	(v)
58	-	
59	20,467,588	
Tier 2 Capital: regulatory adjustments		
60	1,075,032	
61	-	
62	-	
63	-	(ae)
64	-	(af)
65	1,075,032	
66	19,392,556	
67	19,392,556	
68	-	
69	19,392,556	
70	134,772,337	

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42.5 Main Features Template of Regulatory Capital Instruments

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

Notes to and forming part of the 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	
	2016	2015	2016	2015
	(Rupees in '000)			
Credit Risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Corporate portfolio	27,099,974	25,063,298	227,500,477	220,051,889
Banks / DFIs	1,141,128	1,167,690	9,579,606	10,252,135
Public sector entities	732,442	456,160	6,148,745	4,005,014
Sovereigns / cash & cash equivalents	747,067	1,307,166	6,271,524	11,476,715
Loans secured against residential property	193,994	153,702	1,628,553	1,349,482
Retail	2,142,182	1,876,790	17,983,319	16,477,928
Past due loans	333,824	293,130	2,802,404	2,573,642
Operating fixed assets	4,066,255	3,610,270	34,135,644	31,697,611
Other assets	2,170,943	1,325,330	18,224,759	11,636,191
	38,627,809	35,253,536	324,275,031	309,520,607
Off-Balance Sheet				
Non-market related	14,473,301	11,670,957	121,501,333	102,469,200
Market related	65,500	35,299	549,861	309,919
	14,538,801	11,706,256	122,051,194	102,779,119
Equity Exposure Risk in the Banking Book				
Listed	1,561,922	1,177,092	13,112,115	10,334,682
Unlisted	534,855	97,125	4,490,029	852,747
	2,096,777	1,274,217	17,602,144	11,187,429
Total Credit Risk	55,263,387	48,234,009	463,928,369	423,487,155
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	4,088,708	5,048,241	51,108,850	63,103,013
Equity position risk	3,420,577	2,503,797	42,757,213	31,297,462
Foreign exchange risk	1,509,040	1,355,198	18,863,000	16,939,979
Total Market Risk	9,018,325	8,907,236	112,729,063	111,340,454
Operational Risk				
Capital requirement for operational risks	8,657,195	8,253,921	108,214,940	103,174,010
Total	72,938,907	65,395,166	684,872,372	638,001,619
	2016		2015	
	Required	Actual	Required	Actual
	%	%	%	%
Capital Adequacy Ratio				
CET1 to total RWA	6.00	16.85	6.00	17.41
Tier-1 capital to total RWA	7.50	16.85	7.50	17.41
Total capital to total RWA	10.00	19.68	10.00	20.07
Total capital plus CCB to total RWA	10.65	19.68	10.25	20.07

* As SBP capital requirement plus CCB of 10.65% (10.25% in 2015) 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 the Bank 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 corporate and commercial borrowers are internally rated. In order to further enhance the credit risk analysis and the processes, bank revamped its 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.

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

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control 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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	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
43.1.1.2 Segment by sector						
Public / Government	85,635,211	22.30	65,620,135	8.25	67,705,171	21.77
Private	298,397,619	77.70	730,069,411	91.75	243,250,331	78.23
	<u>384,032,830</u>	<u>100</u>	<u>795,689,546</u>	<u>100</u>	<u>310,955,502</u>	<u>100</u>
	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Public / Government	69,100,256	20.61	45,814,678	6.49	81,904,830	25.31
Private	266,175,434	79.39	660,425,037	93.51	241,727,759	74.69
	<u>335,275,690</u>	<u>100</u>	<u>706,239,715</u>	<u>100</u>	<u>323,632,589</u>	<u>100</u>

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

	2016		2015	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agri, feed, forestry , poultry	309,578	271,978	513,945	513,945
Textile	3,312,843	3,310,628	3,834,715	3,834,368
Chemical, petroleum and pharmaceuticals	370,687	370,687	141,321	141,321
Sugar	897,727	897,727	25,834	25,834
Footwear and leather garments	20,418	20,418	42,569	42,569
Automobile and transportation equipment	6,998	6,998	20,565	19,746
Electronics and electrical appliances	276,504	276,504	280,202	280,202
Construction, engineering and steel	1,337,372	1,337,372	1,486,015	1,486,015
Power (electricity), gas, water, sanitary	1,899	1,899	1,899	1,899
Wholesale, retail trade and distribution	3,109,310	3,035,225	3,327,072	3,316,758
Transport, storage and communication	68,597	68,596	90,865	90,848
Financial	765,272	765,272	798,668	798,668
Services	751,386	750,262	219,318	219,318
Individuals	2,944,690	2,930,873	2,923,719	2,911,209
Others	7,515,998	4,894,681	6,662,518	4,166,209
	<u>21,689,279</u>	<u>18,939,120</u>	<u>20,369,225</u>	<u>17,848,909</u>
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	21,049,454	18,299,295	19,729,400	17,209,084
	<u>21,689,279</u>	<u>18,939,120</u>	<u>20,369,225</u>	<u>17,848,909</u>

Notes to and forming part of the Consolidated Financial Statements

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43.1.1.5 Geographical segment analysis

	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>

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	42,683,011	992,090,712	141,582,368	314,940,791
South Asia	253,907	16,590,625	286,284	6,108,032
Middle East	14,106	11,724,921	143,563	2,583,766
Eurasia(Azerbaijan)	(162,384)	573,763	164,405	-
	<u>42,788,640</u>	<u>1,020,980,021</u>	<u>142,176,620</u>	<u>323,632,589</u>

Total assets employed include intra group items of Rs. NIL (2015: Rs. NIL).

43.1.2 Credit Risk - General Disclosures

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

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

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

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

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

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

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Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

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

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Credit Exposures subject to Standardized approach

Exposures	Rating	2016			2015		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
(Rupees in '000)							
Corporate	1	44,922,417	-	44,922,417	20,357,275	-	20,357,275
	2	12,407,944	-	12,407,944	10,255,391	-	10,255,391
	3,4	706,240	-	706,240	1,085,755	-	1,085,755
	5,6	-	-	-	-	-	-
	Unrated	187,605,799	-	187,605,799	186,632,075	-	186,632,075
Bank	1	26,681,626	-	26,681,626	25,676,120	-	25,676,120
	2,3	893,952	-	893,952	3,521,336	-	3,521,336
	4,5	2,687,807	-	2,687,807	2,348,785	-	2,348,785
	6	76,455	-	76,455	464,416	-	464,416
	Unrated	2,718,511	-	2,718,511	753,505	-	753,505
Public Sector Entities in Pakistan	1	15,199,910	-	15,199,910	10,050,434	-	10,050,434
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	70,464,496	64,246,970	6,217,526	58,524,451	54,534,596	3,989,855
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash		73,628,498	-	73,628,498	60,967,498	-	60,967,498
	1	5,416,153	-	5,416,153	-	-	-
	2	-	-	-	-	-	-
	3	-	-	-	10,535,659	-	10,535,659
	4,5	6,271,524	-	6,271,524	-	-	-
	6	-	-	-	941,056	-	941,056
	Unrated	-	-	-	-	-	-
Mortgage		4,653,007	-	4,653,007	3,855,662	-	3,855,662
Retail		23,977,759	-	23,977,759	21,970,571	-	21,970,571

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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. 1,024,239.993 million (2015: Rs. 974,896.531 million) the financial assets which are subject to credit risk amounting to Rs. 1,006,102.537 million (2015: Rs. 958,484.304 million). To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 501,610.324 million (2015: Rs. 510,025.537 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 41,332.396 million (2015: Rs. 30,408.594 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, 2016 the composition of equity investments, subsidiaries and associated companies is as follows:

Composition of equity investments

Exposures	Held for trading	Available for Sale	Associates
	(Rupees in '000)		
Equity investments – publicly traded	500,089	20,256,552	5,375,158
Equity investments - others	-	205,890	72,357
Total value	500,089	20,462,442	5,447,515

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. 1,808.038 million has been credited to profit & loss account from sale of equity securities; however unrealized gain of Rs. 4,645.397 million was recognized in the balance sheet in respect of "AFS" equity securities. Further provision for impairment in value of equity investments amounting to Rs. 663.073 million has been reversed to profit and loss account.

43.2 Market Risk Management

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. The Bank 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, the Bank 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 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.

	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>
	2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	966,019,644	819,676,876	(4,822,266)	141,520,502
Sri Lankan Rupee	16,591,060	16,590,625	(62)	373
United States Dollar	30,857,290	28,362,688	(1,813,945)	680,657
Arab Emirates Dirham	5,147,042	5,283,587	(280)	(136,825)
Pound Sterling	997,855	3,964,346	2,933,931	(32,560)
Japanese Yen	51,446	7	(52,740)	(1,301)
Euro	657,493	4,515,914	3,815,780	(42,641)
Other currencies	658,191	409,358	(60,418)	188,415
	<u>1,020,980,021</u>	<u>878,803,401</u>	<u>-</u>	<u>142,176,620</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.

The Bank 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	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	252,288,193	14,090,655	43,968,259	93,640,841	14,479,076	40,359,396	28,887,122	-	-	23,780,940
Advances - net	2.50 to 14.45%	364,333,516	254,740,779	54,887,089	12,605,819	16,354,803	8,926,775	6,244,821	5,687,662	1,816,536	-	-	374,004
Other assets - net		22,840,212	-	-	-	-	-	-	-	-	-	-	22,840,212
		1,024,239,993	305,477,101	307,176,262	26,896,474	60,323,062	102,567,616	20,723,897	45,947,058	30,713,658	2,795,248	-	121,819,617
Liabilities													
Bills payable		13,291,328	-	-	-	-	-	-	-	-	-	-	13,291,328
Borrowings	1% to 12.70%	77,438,993	45,322,590	10,576,988	15,332,339	3,127,287	3,079,789	-	-	-	-	-	-
Deposits and other accounts	3.75% to 11.64%	795,689,546	454,761,280	12,819,434	9,891,237	15,009,194	190,322	1,143,180	678,983	-	-	-	301,155,916
Other liabilities		27,290,465	-	-	-	-	-	-	-	-	-	-	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
On-balance sheet gap		110,529,661	(194,606,769)	283,779,840	1,432,898	42,186,581	99,297,505	19,580,717	45,268,075	30,713,658	2,795,248	-	(219,918,092)
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	9,291,062	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	9,692,875	4,585,281	207,603	-	467,590	-	-	-	-
Off-balance sheet gap		(1,129,801)	(2,008,026)	5,612,635	(401,823)	(4,332,587)	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(196,614,795)	(196,614,795)	289,992,475	1,031,075	37,853,994	99,297,505	19,580,717	45,268,075	30,713,658	2,795,248	-	-
Cumulative yield / interest risk sensitivity gap		(196,614,795)	(196,614,795)	92,777,680	93,808,755	131,662,749	230,960,254	250,540,971	295,809,046	326,522,704	329,317,952	-	-

Notes to and forming part of the Consolidated Financial Statements
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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	2015										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	0%	61,265,859	4,502,863	-	-	-	-	-	-	-	-	-	-	56,762,996
Balances with other banks	0.4% to 2.45%	10,058,662	5,505,721	2,300,000	-	-	-	-	-	-	-	-	-	2,252,941
Lendings to financial institutions	0.25% to 6.40%	2,867,744	2,867,744	-	-	-	-	-	-	-	-	-	-	-
Investments - net	0.24% to 13.40%	561,043,177	49,385,019	176,561,096	7,094,871	138,505,011	45,415,570	68,874,976	14,684,365	43,999,554	4,939,726	2,682,211	16,522,715	
Advances - net	8.78%	316,771,355	221,243,601	34,594,440	6,901,881	5,770,162	16,578,751	11,370,344	12,690,239	4,939,726	-	-	22,889,734	
Other assets - net		22,889,734	-	-	-	-	-	-	-	-	-	-	-	-
		974,896,531	283,504,948	213,455,536	13,996,752	144,275,173	61,994,321	80,245,320	27,374,604	48,939,280	2,682,211	2,682,211	98,428,386	
Liabilities														
Bills payable		11,975,237	85,656,671	8,247,323	-	-	-	-	-	-	-	-	-	11,975,237
Borrowings	0.93% to 7.40%	118,615,031	409,681,724	13,590,967	9,322,866	12,890,970	630,288	77,345	236,041	-	-	-	-	259,809,494
Deposits and other accounts	4.0% to 11.64%	706,239,715	409,681,724	13,590,967	9,322,866	12,890,970	630,288	77,345	236,041	-	-	-	-	25,508,566
Other liabilities		25,508,566	-	-	-	-	-	-	-	-	-	-	-	-
		862,338,549	495,338,395	21,838,290	28,933,996	15,541,992	3,079,193	77,345	236,041	-	-	-	-	297,293,297
On-balance sheet gap		112,557,982	(211,833,447)	191,617,246	(14,937,244)	128,733,181	58,915,128	80,167,975	27,138,563	48,939,280	2,682,211	2,682,211	(198,864,911)	
Off-balance sheet financial instruments														
FX options purchase		1,460,979	541,490	512,581	243,155	163,753	-	-	-	-	-	-	-	-
Foreign exchange contracts Purchase		75,975,136	34,243,014	28,481,004	12,914,706	336,412	-	-	-	-	-	-	-	-
		77,436,115	34,784,504	28,993,585	13,157,861	500,165	-	-	-	-	-	-	-	-
FX options sale		1,460,979	541,490	512,581	243,155	163,753	-	-	-	-	-	-	-	-
Foreign exchange contracts Sale		71,836,248	33,101,220	27,661,638	3,327,242	7,746,148	-	-	-	-	-	-	-	-
		73,297,227	33,642,710	28,174,219	3,570,397	7,909,901	-	-	-	-	-	-	-	-
Off-balance sheet gap		4,138,888	1,141,794	819,366	9,587,464	(7,409,736)	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(210,691,653)	192,436,612	(5,349,780)	121,323,445	80,167,975	27,138,563	48,939,280	2,682,211	2,682,211	2,682,211	2,682,211	315,561,781	
Cumulative yield / interest risk sensitivity gap		(210,691,653)	(18,255,041)	(23,604,821)	(23,604,821)	97,718,624	156,633,752	236,801,727	283,940,290	312,879,570	312,879,570	312,879,570	315,561,781	

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

Reconciliation to total assets	2016	2015	Reconciliation to total liabilities	2016	2015
	(Rupees in '000)			(Rupees in '000)	
Balance as per balance sheet	1,076,690,236	1,020,980,021	Balance as per balance sheet	930,730,166	878,803,401
Less: Non financial assets			Less: Non financial liabilities		
Investments	5,447,515	5,521,127	Other liabilities	4,130,185	3,982,565
Operating fixed assets	35,225,865	31,536,887	Deferred tax liability	12,889,649	12,482,287
Other assets	11,776,863	9,025,476		17,019,834	16,464,852
	52,450,243	46,083,490			
Total financial assets	1,024,239,993	974,896,531	Total financial liabilities	913,710,332	862,338,549

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. The Bank recognizes that liquidity risk can arise from its 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.

The Bank'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. The Bank also conducts Liquidity Risk Analysis on regular basis. The Bank liquidity Risk Policy envisages to project its 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. The Bank 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. The Bank'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 the Bank 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 the Bank maintains borrowing relationships to ensure the continued access to diverse market of funding sources. The Bank's sound credit rating together with excellent market reputation has enabled the Bank to secure ample call lines with local and foreign banks. The level of liquidity reserves as per regulatory requirements also mitigates risks. The Bank'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, 2016

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
(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	-	-	-	-	-	-	-	-	-
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	364,333,516	47,159,750	38,403,136	23,609,956	31,668,926	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	34,617,075	8,781,902	11,131,593	1,665,821	4,052,645	5,483	25,399	8,954,232	-	-
	1,076,758,028	184,087,830	303,491,958	39,473,468	80,885,384	186,119,938	77,157,215	117,553,070	64,093,122	23,896,043
Liabilities										
Bills payable	13,291,328	13,291,328	-	-	-	-	-	-	-	-
Borrowings	77,488,993	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	(639,446,191)	275,339,549	7,173,969	57,538,496	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, 2016

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

	2015									
	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	61,265,859	61,265,859	-	-	-	-	-	-	-	-
Balances with other banks	10,058,662	7,758,662	2,300,000	-	-	-	-	-	-	-
Lendings to financial institutions	2,867,744	2,867,744	-	-	-	-	-	-	-	-
Investments - net	566,564,304	51,690,852	177,999,261	2,368,348	138,664,107	59,904,012	69,310,634	15,454,258	45,571,812	5,601,020
Advances - net	316,771,355	48,684,733	43,788,780	22,419,754	6,509,826	63,703,950	54,841,904	56,286,280	17,632,560	2,903,568
Operating fixed assets	31,536,887	201,532	403,064	604,596	1,209,191	1,352,500	2,418,382	4,869,343	12,221,434	8,256,845
Deferred tax assets	469,401	4,183	8,368	12,551	25,103	50,206	50,206	100,412	218,372	-
Other assets - net	31,915,210	10,617,824	10,732,419	738,853	3,033,204	-	-	6,792,910	-	-
	1,021,449,422	189,091,389	235,231,892	26,144,102	149,441,431	125,010,668	126,621,126	83,503,203	75,644,178	16,761,433
Liabilities										
Bills payable	11,975,237	11,975,237	-	-	-	-	-	-	-	-
Borrowings	118,615,031	85,656,671	8,247,323	19,766,693	2,495,439	2,448,905	-	-	-	-
Deposits and other accounts	706,239,715	669,491,218	13,590,967	9,322,886	12,890,970	630,288	77,345	236,041	-	-
Deferred tax liabilities	12,951,688	13,696	54,535	48,270	1,445,797	1,209,886	2,801,208	2,705,666	2,895,003	1,777,627
Other liabilities	29,491,131	13,363,569	3,219,731	5,503,115	2,269,717	2,955,131	363,944	694,598	1,121,326	-
	879,272,802	780,500,391	25,112,556	34,640,964	19,101,923	7,244,210	3,242,497	3,636,305	4,016,329	1,777,627
Net assets	142,176,620	(597,409,002)	210,119,336	(8,496,862)	130,339,508	117,766,458	123,378,629	79,866,898	71,627,849	14,983,806
Share capital	11,130,307									
Reserves	51,491,384									
Unappropriated profit	52,631,368									
Non-controlling interest	512,076									
Surplus on revaluation of assets - net of tax	26,411,485									
	142,176,620									

Notes to and forming part of the Consolidated Financial Statements
For the year ended December 31, 2016

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	-	-	-	-	-	-	-	-	-
Investments - net	566,770,384	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	364,333,516	67,853,993	84,102,563	34,012,002	55,814,527	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	34,617,075	8,781,902	11,131,593	1,665,821	4,052,645	5,483	25,399	8,954,232	-	-
	1,076,758,028	204,782,073	349,191,385	49,875,514	105,030,985	156,957,646	46,539,613	86,638,561	53,846,208	23,896,043
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	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									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

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

2015

	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	61,265,859	61,265,859	-	-	-	-	-	-	-	-
Balances with other banks	10,058,662	7,758,662	2,300,000	-	-	-	-	-	-	-
Lending to financial institutions	2,867,744	2,867,744	-	-	-	-	-	-	-	-
Investments - net	566,564,304	51,690,852	177,999,261	2,368,348	138,664,107	59,904,012	69,310,634	15,454,258	45,571,812	5,601,020
Advances - net	316,771,355	63,431,929	76,955,366	46,501,036	22,554,534	36,805,335	28,416,730	29,687,355	9,496,133	2,922,937
Operating fixed assets	31,536,887	201,532	403,064	604,596	1,209,191	1,352,500	2,418,382	4,869,343	12,221,434	8,256,845
Deferred tax assets	469,401	4,183	8,368	12,551	25,103	50,206	50,206	100,412	218,372	-
Other assets - net	31,915,210	10,617,824	10,732,419	738,853	3,033,204	-	-	6,792,910	-	-
	1,021,449,422	197,838,585	288,398,478	50,225,384	165,486,139	98,112,053	100,195,952	56,904,278	67,507,751	16,780,802
Liabilities										
Bills payable	11,975,237	11,975,237	-	-	-	-	-	-	-	-
Borrowings	118,615,031	85,656,671	8,247,323	19,766,693	2,495,439	2,448,905	-	-	-	-
Deposits and other accounts	706,239,715	43,921,805	39,748,059	26,473,994	12,890,970	175,308,652	174,755,709	174,914,405	58,226,121	-
Deferred tax liabilities	12,951,688	13,696	54,535	48,270	1,445,797	1,209,886	2,801,208	2,705,666	2,895,003	1,777,627
Other liabilities	29,491,131	13,363,569	3,219,731	5,503,115	2,269,717	2,955,131	363,944	694,598	1,121,326	-
	879,272,802	154,930,978	51,269,648	51,792,072	19,101,923	181,922,574	177,920,861	178,314,669	62,242,450	1,777,627
Net assets	142,176,620	42,907,607	217,128,830	(1,566,688)	146,384,216	(83,810,521)	(77,724,909)	(121,410,391)	5,265,301	15,003,175
Share capital	11,130,307									
Reserves	51,491,384									
Unappropriated profit	52,631,368									
Non-controlling interest	512,076									
Surplus on revaluation of assets - net of tax	26,411,485									
	142,176,620									

Liquidity Gap Reporting

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity. Bank regularly conducts an objective and systematic behavioral study using regression analysis technique to ascertain the maturity of its non-contractual assets and liabilities. Core and non-core parts of the non-contractual assets and liabilities are segregated through the behavioral study. Non Core part is placed among the short term maturity buckets i.e. up to 1 Year based on the model results, whereas core part is distributed among the longer term buckets based on the discussion and decision by the ALCO. Following percentages are used to distribute the core assets and liabilities among longer term buckets:

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2016

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.

-The corresponding figures have been changed due to application of SBP BPRD Circular Letter No. 05 of 2016 dated February 29, 2016. No significant reclassification has been made except for as follows:

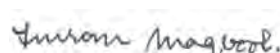
Description	Amount (Rupees in '000)	Reclassified	
		From	To
Bai Muajjal with Government of Pakistan	2,264,736	Lendings to financial institutions	investments – net
Ijarah Assets	1,460,498	Operating fixed assets	Advances - net
Depreciation and insurance expenses on Ijara assets	419,998	Administrative expenses	Mark-up / return / interest earned
Rental income on Ijarah assets	531,260	Fee, commission and brokerage income	Mark-up / return / interest earned

45. NON-ADJUSTING EVENT

The Board of Directors of the Bank in its meeting held on February 08, 2017 has announced a final cash dividend in respect of the year ended December 31, 2016 of Rs.4.00 per share (2015: Rs. 4.00 per share) while Board of Directors of MCB - Arif Habib Savings and Investments Limited has declared a cash dividend of Rs. 1.50 per share in their meeting held on February 02, 2017. These consolidated financial statements for the year ended December 31, 2016 do not include the effect of above 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 08, 2017.



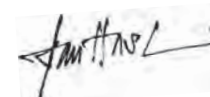
Imran Maqbool
President and Chief Executive



S. M. Muneer
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	Note	Number of shares	Paid-up value per share (Rupees)	Total paid-up (Rupees in '000)	Cost as at December 31, 2016
1 Fully Paid-up Preference Shares					
Azgard Nine Limited		1,160,241	10	11,602	11,602
Aisha Steel Mills Limited		168,286	10	1,683	1,683
Masood Textile Mills Limited		5,000,000	10	50,000	50,000
Fully Paid-up Ordinary Shares					
Abbott Laboratories (Pakistan) Limited		732,700	10	7,327	592,435
Allied Bank Limited		5,325,400	10	53,254	589,058
Al Shaheer Corporation		5,827,500	10	58,275	332,589
Attock Petroleum Limited		901,626	10	9,016	462,218
Attock Refinery Limited		1,045,700	10	10,457	359,649
Bank Alfalah Limited		11,816,000	10	118,160	351,197
Bank Al-Habib Limited		28	10	0	1
Bestway Cement Limited		1,673,500	10	16,735	297,770
Crescent Steel and Allied Products Limited		3,176,700	10	31,767	405,068
Dawood Hercules Corporation Limited		4,069,300	10	40,693	551,615
Dolmen City REIT		15,879,804	10	158,798	174,678
Engro Corporation Limited		1,690,200	10	16,902	534,806
Engro Fertilizers Limited		10,302,500	10	103,025	827,594
Engro Powergen Qadirpur Limited		905,000	10	9,050	31,295
Fatima Fertilizer Company Limited		10,783,500	10	107,835	417,257
Fauji Cement Company Limited		14,501,500	10	145,015	521,634
Fauji Fertilizer Bin Qasim Company Limited		1,389,000	10	13,890	74,414
Fauji Fertilizer Company Limited		11,947,000	10	119,470	1,394,055
Faysal Bank Limited		9,635,000	10	96,350	167,513
Fecto Cement Limited		3,210,500	10	32,105	300,705
Ferozsons Laboratories Limited		76,100	10	761	60,348
First Capital Mutual Fund		7,670	10	77	-
Habib Bank Limited		100	10	1	17
Habib Metropolitan Bank Limited		13,475,500	10	134,755	438,849
Hub Power Company Limited		4,277,500	10	42,775	461,067
Honda Atlas Cars (Pakistan) Limited		350,000	10	3,500	206,121
Hum Network Limited		13,848,500	10	138,485	225,280
IGI Insurance Limited		733,700	10	7,337	162,125
Indus Motor Company Limited		180,300	10	1,803	287,642
International Industries Limited		560,000	10	5,600	76,157
International Steels Limited		1,600,500	10	16,005	66,530
K-Electric Limited		214,500	10	2,145	1,956
Kohinoor Textile Mills Limited		3,122,000	10	31,220	249,861
Kot Addu Power Company Limited		16,662,000	10	166,620	1,430,928
Mehr Dastgir Textile Mills Limited		1,616,912	10	16,169	16,169
Millat Tractor Limited		934,300	10	9,343	521,660
National Bank of Pakistan		4,871,000	10	48,710	341,685
National Refinery Limited		92,000	10	920	52,960
Nestle Pakistan Limited		45,080	10	451	355,945
Next Capital Limited		1,950,000	10	19,500	19,500
Oil & Gas Development Company Limited		4,411,035	10	44,110	836,537
Pak Elektron Limited		7,121,125	10	71,211	544,489
Pakistan Oilfields Limited		195	10	2	73
Pakistan Petroleum Limited		2,184,718	10	21,847	467,345
Packages Limited		602,800	10	6,028	392,776
Pakistan National Shipping Corporation		700	10	7	71
Pakistan Reinsurance Company Limited		5,593,000	10	55,930	201,276
Pakistan Telecommunication Company Limited		15,465,000	10	154,650	348,666
PICIC Investment Fund		20,548,500	10	205,485	293,361
Pioneer Cement Limited		350,100	10	3,501	36,937
Rafhan Maize Products Limited		52,147	10	521	438,962
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		30,666,010	10	306,660	1,252,314
Sui Southern Gas Company Limited		12,520,500	10	125,205	500,650
Treet Corporation Limited		2,923,500	10	29,235	198,475
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Pakistan Foods Limited		867	10	9	1,364
United Bank Limited		1,381,607	10	13,816	319,464
Zulfqar Industries Limited		35,117	10	351	3,556
Carrying value before revaluation & provision					19,816,762
Provision for diminution in value of investments					(1,686,448)
Surplus on revaluation of securities					4,261,397
Market value as at December 31, 2016					22,391,711

Annexure - I

Fully Paid-up Ordinary Certificates/ Units of Mutual Funds	Name of Management Company	Number of Units held	Paid-up value per unit (Rupees)	Total paid-up (Rupees in '000)	Cost as at December 31, 2016
National Investments Trust	National Investment Trust Limited	110,602	50	5,530	5,253
Pakistan Pension Fund	MCB-Arif Habib Savings & investments Ltd	805,305	100	80,531	102,113
Pakistan Islamic Pension Fund	MCB-Arif Habib Savings & investments Ltd	876,129	100	87,613	108,787
Pakistan Stock Market Fund	MCB-Arif Habib Savings & investments Ltd	2,437,875	100	243,787	223,637
Carrying value before revaluation & provision					439,790
Provision for diminution in value of investments					(1,907)
Surplus on revaluation of securities					384,000
Market value as at December 31, 2016					821,883

2. Particulars of Investments in listed companies Held for trading

	Number of share	Paid-up value per share (Rupees)	Total paid up (Rupees in '000)	Cost as at December 31, 2016
Al Shaheer Corporation	242,500	10	2,425	13,457
Engro Corporation Ltd.	47,700	10	477	15,049
Engro Fertilizers Limited	122,500	10	1,225	8,135
Indus Motor Company Limited	5,050	10	51	7,949
Millat Tractor Limited	18,400	10	184	16,512
National Refinery Limited	500	10	5	280
Pak Elektron Limited	350,000	10	3,500	24,774
Pakistan State Oil Corporation	76,100	10	761	32,325
Pakistan Telecommunication Company Limited	92,000	10	920	1,657
Sui Northern Gas Pipelines Limited	200,000	10	2,000	16,502
Treet Corporation Limited	137,500	10	1,375	9,022
				145,662

	Number of units	Paid-up value per units (Rupees)	Total paid up (Rupees in '000)	Cost as at December 31, 2016
MCB Cash Management Optimizer	2,628,207	100	262,821	267,275
MCB Pakistan Sovereign Fund	660,000	50	33,000	87,152
				354,427

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, 2016	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	19,371	June 30, 2016	Mr. Ashfaq A. Berdi
Central Depository Company of Pakistan Limited	10.00%	10,000,000	10,000	236,302	June 30, 2016	Mr. Mohammad Hanif Jakhura
			21,500			

**Shareholding upto 10%
Fully paid up Ordinary Shares/
Certificates/ Units**

First Capital Investment Limited		275,000	2,500	3,839	June 30, 2016	Mr. Shahzad Jawahar
First Women Bank Limited		23,095,324	63,300	220,791	September 30, 2016	Ms. Tahira Raza
National Institute of Facilitation Technology Private Limited		2,266,607	1,526	74,932	June 30, 2016	Mr. Haider Wahab
National Investment Trust Limited		79,200	100	719,783	June 30, 2016	Mr. Shahid Ghaffar
ISE Towers REIT Management Company Limited		3,034,603	30,346	34,420	September 30, 2016	Mr. Mian Ayyaz Afzal
Society for Worldwide Inter Fund Transfer (SWIFT)		18	1,738	7,004	December 31, 2015	Mr. Gottfried Leibbrandt
Credit Information Bureau of Srilanka		3,000	21	27,951	December 31, 2015	Mr. K. A. Janka Lakmal
Lanka Clear (Private) Limited		100,000	699	6,177	March 31, 2016	Mr. Channa de Silva
Lanka Financial Services Bureau Limited		100,000	699	835	March 31, 2016	Mr. Mihindu Rajaratne
Pakistan Agro Storage and Services corporation		2,500	2,500	542,347	March 31, 2016	Mr. Muhammad Khan Khichi
SME Bank Limited*		1,490,619	10,106	-	September 30, 2016	Mr. Ihsan ul haq Khan
Arabian Sea Country Club*		500,000	5,000	-	June 30, 2015	Mr. Arif Ali Khan Abbasi
Al-Ameen Textile Mills Limited.*		19,700	197	-	Not available	Not available
Ayaz Textile Mills Limited.*		225,250	2,252	-	Not available	Not available
Custodian Management Services*		100,000	1,000	-	Not available	Not available
Musarrat Textile Mills Limited.*		3,604,500	36,045	-	Not available	Not available
Sadiqabad Textile Mills Limited.*		2,636,100	26,361	-	Not available	Not available
			184,390			

Cost of unlisted shares/ certificates/ units **205,890**

Provision against unlisted shares **(80,961)**

Carrying value of unlisted shares/ certificates/ units **124,929**

* These are fully provided unlisted shares.

Annexure - I

4. Particulars of investments in Term Finance Certificates and Sukuk Bonds- (refer note 9)

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit Rate	Principal Redemption	Balance as at December 31, 2016	Name of Chief Executive
			(Rupees)			(Rupees in'000)	

LISTED TERM FINANCE CERTIFICATES - available for sale

Bank Alfalah Limited - issue no. IV	100,000	5,000	500,000,000	6 months KIBOR + 2.5% p.a.	0.26% of principal amount in the first 78 months and remaining principal in three semi-annual installments starting from the 84th month.	332,467	Mr. Atif Bajwa
Carrying value before revaluation						332,467	
Surplus on revaluation of securities						3,491	
Market value of listed TFCs (revalued amount)						335,958	

SUKUK BONDS - available for sale

	Interest Payment	Rate of Interest	Principal Redemption	
GOP Ijarah Sukuk - 15	Bi-annually	6 months T-Bill minus 2%	At Maturity	1,907,047
GOP Ijarah Sukuk - 16	Bi-annually	6 months T-Bill minus 0.5%	At Maturity	553,334
GOP Ijarah Sukuk - 18	Bi-annually	6 months T-Bill minus 0.5%	At Maturity	56,666
WAPDA III Sukuk Certificates	Bi-annually	6 months KIBOR plus 1%	At Maturity	144,462
Meezan Bank Limited	Bi-annually	6 months KIBOR plus 0.7%	At Maturity	490,000
Fatima Fertilizer Company Limited	Bi-annually	6 months KIBOR plus 1.1%	At Maturity	375,000
				3,526,509
Surplus on revaluation of securities				29,902
Market value of Sukuk bonds				3,556,411

TERM FINANCE CERTIFICATES - held to maturity

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit Rate	Principal Redemption	Balance as at December 31, 2016	Name of Chief Executive
			(Rupees)			(Rupees in'000)	
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	481,535	Mr. Atif Bajwa
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	534,892	Mr. Mansoor Ali Khan
Askari Bank Limited - issue no. V	120,000	5,000	600,000,000	6 M K + 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.	599,520	Syed Majeedullah Husaini
NIB Bank Limited	60,000	5,000	300,000,000	6 months KIBOR + 1.15% p.a.	Fifteen equal semi-annual installments of 0.02% of the Issue Amount for the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month.	299,700	Mr. Yameen Kerai
Azgard Nine Limited	13,878	5,000	69,390,000	NIL	In 7 semi-annual installments starting from 24th month	69,390	Mr. Ahmed Shaikh
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.	1,499,700	Mr. Nauman K. Dar
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	202,000	Mr. Naeemuddin Khan
Meezan Bank Limited	755	1,000,000	755,000,000	Expected 6 month KIBOR plus 70 – 75 bps	Bullet payment at the end of the tenth year	755,000	Mr. Irfan Siddiqui
Carrying value of TFCs - HTM						4,441,737	

The above excludes unlisted term finance certificates, debentures, bonds and participation term certificates of companies which are fully provided for in these financial statements.

Annexure - I
5. Details of Bonds, Debentures and Federal Government Securities (refer note 9) - held to maturity

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency Amount ('000)	Carrying value as at December 31, 2016 (Rupees in '000)
	Principal	Interest				
Debentures						
Bank of Ceylon	At maturity	Half-yearly	6 Month Gross T Bill Rate + 1.25%	LKR	350,000	244,475
Sampath Bank	At maturity	Half-yearly	13.40%	LKR	64,610	45,130
NDB Bank	At maturity	Half-yearly	13.40%	LKR	62,760	43,838
NDB Bank	At maturity	Half-yearly	9.40%	LKR	180,000	125,730
Richard Pieris & Company PLC	At maturity	Half-yearly	10.75%	LKR	43,500	30,385
Siyapatha Finance Limited	At maturity	Half-yearly	8.90%	LKR	100,000	69,850
						559,408
Development Bonds						
Government of Sri Lanka	At maturity	Half-yearly	5.74%	LKR	903,720	631,248
Sukuk Bonds						
Quetta Textile Mills Limited Sukuk Bonds	In 12 equal semi-annual installments.	Half-yearly	6 Month KIBOR+1.50%	PKR	-	36,310
K - Electric Limited- Sukuk Bonds	In 20 equal payments, on quarterly basis starting from 27th month.	Quarterly	3M KIBOR+1%	PKR	-	1,150,000
						1,186,310
Euro Bonds						
Islamic Republic of Pakistan - 2017 - Eurobond	At maturity	Half-yearly	6.875%	US\$	21,765	2,276,537
Islamic Republic of Pakistan - 2025 - Eurobond	At maturity	Half-yearly	8.250%	US\$	5,439	568,930
						2,845,467
Certificates of Deposits						
Central Bank of UAE	At maturity	At maturity	0.24%	AED	124,000	3,531,136

6. Summarized financial information of associated undertakings (refer note 9)

The gross amount of assets, liabilities, revenue, profit and net assets of associated undertakings are as follows:

Name of associated undertaking	Country of incorporation	Assets	Liabilities	Net assets	Revenue	Profit / (loss) after tax	% of interest held
2016							
Euronet Pakistan (Private) Limited (unaudited based on December 31, 2016)	Pakistan	421,410	180,223	241,187	310,866	24,521	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2016)	Pakistan	39,243,700	21,809,380	17,434,320	6,884,905 *	2,834,994	24.48%
2015							
Euronet Pakistan (Private) Limited (audited based on December 31, 2015)	Pakistan	318,361	101,825	216,536	303,076	21,879	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2015)	Pakistan	32,135,696	16,862,705	15,272,991	5,766,406	2,178,858	27.59%

* Represents net premium revenue

Annexure - II

MCB ISLAMIC BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

Note	2016	2015 Restated
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	1,509,804	698,123
Balances with other banks	2,750,998	6,347,459
Due from financial institutions	-	-
Investments - net	5,769,675	5,995,470
Islamic financing and related assets - net	16,172,727	12,473,797
Operating fixed assets	2,104,250	1,192,382
Deferred tax assets - net	-	9,388
Other assets - net	261,048	170,922
	28,568,502	26,887,541
LIABILITIES		
Bills payable	447,776	89,864
Due to financial institutions	2,785,650	631,520
Deposits and other accounts	14,279,436	9,450,072
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	40,524	-
Other liabilities	749,243	6,733,333
	18,302,629	16,904,789
NET ASSETS	10,265,873	9,982,752
REPRESENTED BY		
Share capital	10,000,000	10,000,000
Reserves	26,444	10,461
Unappropriated profit	68,087	4,153
	10,094,531	10,014,614
Surplus / (deficit) on revaluation of assets - net of tax	171,342	(31,862)
	10,265,873	9,982,752
Remuneration to Shariah Advisor / Board	6,450	3,847
CHARITY FUND		
Opening balance	2,505	19,681
Additions during the year		
Received from customers on delayed payments	6,002	2,897
Dividend purification amount	4,608	-
Profit on charity saving account	65	527
	10,675	3,424
Payments / utilization during the year		
Social welfare	(800)	(4,200)
Health	(800)	(8,000)
Education	(1,000)	(8,400)
	(2,600)	(20,600)
Closing balance	10,580	2,505

MCB ISLAMIC BANK LIMITED
Notes to the annexure II

For the year ended December 31, 2016

		Notes	2016 (Rupees in '000)	2015
A-II.1	Islamic Financing and Related Assets			
	Murabaha	A-II.1.1	8,897,959	6,844,354
	Ijarah	A-II.1.2	1,286,405	1,506,083
	Diminishing Musharakah	A-II.1.3	5,615,633	3,996,137
	Istisna	A-II.1.4	-	150,000
	Staff Finance		374,004	72,634
	Gross advances		16,174,001	12,569,208
	Provision held	A-II.1.5	(1,274)	(95,411)
			16,172,727	12,473,797
A-II.1.1	Murabaha			
	Financing/Investments/Receivables		2,806,942	1,764,924
	Advances		1,103,721	238,217
	Assets/Inventories		4,987,296	4,841,213
			8,897,959	6,844,354
A-II.1.2	Ijarah			
	Advances		1,286,405	1,506,083
			1,286,405	1,506,083
A-II.1.3	Diminishing Musharakah			
	Financing/Investments/Receivables		4,392,900	2,572,200
	Advances		1,222,733	1,423,937
			5,615,633	3,996,137
A-II.1.4	Istisna			
	Advances		-	150,000
			-	150,000
A-II.1.5	Particulars of provision against advances			
	Opening balance		95,411	133,459
	Provision made during the year / period		38	31,513
	Reversal made during the year / period		(94,175)	(922)
	Transferred to head office		-	(68,639)
	Closing balance		1,274	95,411

Annexure - II

MCB ISLAMIC BANK LIMITED
PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015 Restated
	(Rupees in '000)	
Profit / return earned	1,526,778	1,287,217
Profit / return expensed	576,544	379,610
Net spread earned	950,234	907,607
Provision against non-performing Islamic financing and related assets - net	(94,137)	30,591
Provision for diminution in the value of investments - net	-	9,310
Bad debts written off directly	-	-
	(94,137)	39,901
Net spread after provisions	1,044,371	867,706
Other income		
Fee, commission and brokerage income	34,678	35,062
Dividend income	58,802	7,511
Income from dealing in foreign currencies	17,322	11,809
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	-
Gain on sale of securities - net	137,370	2,928
Other income	10,992	31,713
Total other income	259,164	89,023
	1,303,535	956,729
Other expenses		
Administrative expenses	1,187,266	488,794
Other provision - net	-	-
Other charges	2,296	2,076
Total other expenses	1,189,562	490,870
Extra ordinary / unusual items	-	-
Profit before taxation	113,973	465,859
Taxation		
- Current	(17,859)	(924)
- Prior periods	(4,866)	-
- Deferred	(11,331)	(4,400)
	(34,056)	(5,324)
Profit after taxation	79,917	460,535

**MCB ISLAMIC BANK LIMITED
CASH FLOW STATEMENT**
FOR THE YEAR ENDED DECEMBER 31, 2016
2016
2015
(Rupees in '000)

	2016	2015
Cash flows from operating activities		
Profit before taxation	113,973	465,859
Less: Dividend income	(58,802)	(7,511)
	55,171	458,348
Adjustments for non-cash items:		
Depreciation - Owned assets	51,955	36,888
Depreciation - Ijarah assets	466,708	318,082
Amortization	15,699	7,725
Provision against non-performing Islamic financing and related assets - net	(94,137)	30,591
Provision for diminution in the value of investments - net	-	9,310
Provision for Workers' Welfare Fund	2,279	1,058
Gain on sale of securities - net	(137,370)	(2,928)
	305,134	400,726
	360,305	859,074
(Increase) / decrease in operating assets		
Islamic financing and related assets net off other adjustment	(4,071,501)	2,716,260
Other assets - net	(48,807)	(64,391)
	(4,120,308)	2,651,869
Increase / (decrease) in operating liabilities		
Bills payable	357,912	(6,710)
Due to financial institutions	2,154,130	116,320
Deposits and other accounts	4,829,364	(1,536,736)
Other liabilities	(84,381)	(2,489,026)
	7,257,025	(3,916,152)
	3,497,022	(405,209)
Income tax paid	(62,076)	(26,161)
Net cash (used in) / generated from operating activities	3,434,946	(431,370)
Cash flows from investing activities		
Net investment in securities	405,153	(2,303,126)
Dividend income received	56,834	-
Payment against demerger scheme	(5,901,988)	-
Investment in operating fixed assets net off other adjustment	(779,725)	(830,980)
Net cash generated from / (used in) investing activities	(6,219,726)	(3,134,106)
Cash flows from financing activities		
Capital injection by parent company	-	10,000,000
Net cash generated from / (used in) financing activities	-	10,000,000
Increase / (decrease) in cash and cash equivalents during the year		
Cash and cash equivalents at the beginning of the year	7,045,582	611,058
Cash and cash equivalents at the end of the year	4,260,802	7,045,582

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							
	8,089	8,011	78	103	Auction/Quotation	Rashid & Assad (P) CO. WLL	Bahrain
	10,117	8,864	1,253	1,833	Auction	Karachi Auction Mart	Karachi
	231,497	231,102	395	4,722	Trade Off	NCR	Karachi
	4,428	4,088	340	300	Quotation	Imran & Company	Lahore
	5,057	3,712	1,345	1,001	claim	Adamjee Insurance Company	Karachi
	259,188	255,777	3,411	7,959			
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000							
	149,342	142,217	7,125	12,345	Quotation	Different Buyers	
Vehicles							
Toyota Land Cruiser	26,000	20,800	5,200	7,100	Auction	Najam Aziz Sethi	Lahore
Toyota Hilux	1,784	1,094	690	1,512	Auction	M. Ilyas	Lahore
Toyota Hilux	1,530	1,224	306	1,242	Auction	M. Ilyas	Lahore
Toyota Corolla	1,486	1,189	297	1,010	Auction	Khurram Imtiaz	Lahore
Toyota Corolla	1,477	1,182	295	1,064	Auction	Muhammad Awais	Lahore
Toyota Corolla	1,427	1,141	286	989	Auction	Khurram Imtiaz	Lahore
Toyota Corolla	1,427	1,141	286	1,128	Auction	M. Aqib Zahoor	Lahore
Toyota Corolla	1,426	1,141	285	1,019	Auction	Mr. Nusrat Iqbal	Karachi
Toyota Corolla	1,426	1,141	285	1,111	Auction	Mr. Syed Riaz Ahmad	Karachi
Toyota Corolla	1,414	1,131	283	1,007	Auction	Mr. Irfan	Lahore
Toyota Corolla	1,402	1,121	281	1,010	Auction	M. Asghar	Lahore
Toyota Corolla	1,402	1,121	281	825	Auction	Adnan Naseer	Lahore
Toyota Corolla	1,389	1,111	278	970	Auction	Syed Kashif Zameer	Lahore
Toyota Corolla	1,389	1,111	278	968	Auction	Sultan Hassan Khan	Lahore
Toyota Corolla	1,367	1,093	274	1,044	Auction	Khurram Imtiaz	Lahore
Suzuki Cultus	921	651	270	477	Auction	Mr. Nusrat Iqbal	Karachi
Lexus ES 300	3,441	2,746	695	867	Auction	Jasim Ali A. Rasool	Bahrain
	50,708	40,138	10,570	23,343			
Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000							
	68,420	55,440	12,980	44,504			
Land/Buildings							
	514,950	3,239	511,711	504,985	Quotation	Yakoob Ahmed	Karachi
	8,489	259	8,230	7,307	Quotation	Nawab Ferooseds	Karachi
	68,685	18,863	49,822	86,578	Agreement	Bank Al-Habib	Karachi
	592,124	22,361	569,763	598,870			
	1,119,782	515,933	603,849	687,021			

Annexure - IV

Summarized detail of the valuation of owned properties (refer note 11.2.1)

City	Land	Building	Total
Abbottabad	74,000	20,855	94,855
Attock	27,500	5,783	33,283
Bahawalpur	140,520	12,748	153,268
Chakwal	100,742	8,089	108,831
Dera Ghazi Khan	83,655	21,343	104,998
Faisalabad	936,839	274,914	1,211,753
Gawadar	2,381	9,224	11,605
Gujranwala	404,015	191,191	595,206
Gujrat	147,776	69,995	217,771
Hafizabad	31,000	15,558	46,558
Haroonabad	20,049	5,502	25,551
Haripur	34,605	4,127	38,732
Hyderabad	328,029	163,393	491,422
Islamabad	1,406,140	588,110	1,994,250
Jhang	172,639	83,165	255,804
Jhelum	157,000	69,394	226,394
Karachi	4,434,331	3,324,508	7,758,839
Kasur	12,155	2,504	14,659
Khanewal	13,310	2,870	16,180
Khanpur	24,596	14,525	39,121
Kohat	50,425	30,135	80,560
Lahore	6,291,315	3,645,989	9,937,304
Larkana	68,920	15,851	84,771
Mianwali	52,625	56,846	109,471
Mirpurkhas	17,160	3,617	20,777
Multan	232,681	358,812	591,493
Muridke	47,250	26,729	73,979
Murree	20,000	1,081	21,081
Muzaffarabad (A.K.)	154,025	53,370	207,395
Nawabshah	20,336	33,338	53,674
Okara	26,824	13,130	39,954
Peshawar	306,440	232,506	538,946
Quetta	395,139	62,443	457,582
Rahim Yar Khan	50,527	15,657	66,184
Rawalpindi	697,337	330,899	1,028,236
Sadiqabad	26,600	5,080	31,680
Sahiwal	108,019	43,238	151,257
Sargodha	200,954	130,758	331,712
Sheikhupura	97,334	-	97,334
Sialkot	146,348	55,250	201,598
Sukkur	51,250	86,957	138,207
Swat	63,000	8,795	71,795
Vehari	28,600	42,063	70,663
Wazirabad	17,940	7,678	25,618
Overseas	-	87,498	87,498
Grand total	17,722,331	10,235,518	27,957,849

Branch Network

As of December 31, 2016

Retail Banking Group

Circle / No. of Branches		Region	No. of Branches	No. of Sub Branches
Retail Banking Group - South				
1. KARACHI CITY 45	01.	Karachi City	21	-
	02.	Karachi North	24	-
2. KARACHI EAST 42	03.	Karachi East	22	-
	04.	Karachi South	20	-
3. KARACHI WEST 42	05.	Karachi Central	21	1
	06.	Karachi West	21	-
4. HYDERABAD 71	07.	Hyderabad	38	-
	08.	Nawabshah	33	-
5. QUETTA 43	09.	Makran	11	1
	10.	Quetta	32	1
TOTAL RBG - SOUTH			243	03

*EPZ not included

Retail Banking Group - East

1. BAHAWALPUR 92	01.	Bahawalpur	35	-
	02.	Rahim Yar Khan	29	-
	03.	Vehari	28	-
2. MULTAN 106	04.	Dera Ghazi Khan	33	-
	05.	Multan	35	-
	06.	Sahiwal	38	-
SUKKUR 69	07.	Larkana	34	-
	08.	Sukkur	35	-
TOTAL RBG - EAST			267	-

Retail Banking Group - Central

1. LAHORE WEST 50	01.	Lahore Central	25	-
	02.	Lahore City	25	-
2. LAHORE EAST 54	03.	Lahore East	29	-
	04.	Lahore West	25	-
3. FAISALABAD 102	05.	Faisalabad	37	-
	06.	Faisalabad City	37	1
	07.	Sheikhupura	28	-
4. GUJRANWALA 98	08.	Gujranwala	28	1
	09.	Gujrat	36	1
	10.	Sialkot	34	-
5. SARGODHA 94	11.	Jhang	31	1
	12.	Mianwali	30	-
	13.	Sargodha	33	-
TOTAL RBG - CENTRAL			398	04

Retail Banking Group - North

1. ISLAMABAD 60	01.	Islamabad	30	-
	02.	Rawalpindi	30	1
2. JHELUM 84	03.	Chakwal	28	-
	04.	Jhelum	24	-
	05.	Muzaffarabad A.K.	32	-
3. PESHAWAR 79	06.	Kohat	24	-
	07.	Mardan	27	1
	08.	Peshawar	28	1
4. ABBOTTABAD 77	09.	Abbottabad	27	-
	10.	Attock	31	1
	11.	Swat	19	-
TOTAL RBG - NORTH			300	04

Branch Network

As of December 31, 2016

	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	5	10	243	3
RBG-East	3	8	267	-
RBG-Central	5	13	398	4
RBG-North	4	11	300	4
Privilege Banking	-	-	9	-
Corporate Finance Banking	4	6	10	-
Total	21	48	1,227	11
Overseas	-	-	10	-
EPZ	-	-	1	-
Grand Total	21	48	1,238	11

PROVINCE-WISE

Provinces/Territories/AJK	Branches	Sub-Brs.	Total
Azad Jammu & Kashmir	28	-	28
Balochistan	44	2	46
Federal Capital Territory	28	1	29
Federally Administered Tribal Areas (FATA)	6	-	6
Gilgit-Baltistan	4	-	4
Khyber Pakhtunkhwa	120	2	122
Punjab	724	5	729
Sindh	273	1	274
Domestic Total	1,227	11	1,238
Overseas	10	-	10
EPZ	1	-	1
Grand Total	1,238	11	1,249

Pattern of Shareholding

As of December 31, 2016

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
14,726	1	100	605,952	0.05%
12,005	101	500	2,963,401	0.27%
5,450	501	1,000	4,043,048	0.36%
7,528	1,001	5,000	12,768,322	1.15%
322	5,001	10,000	2,340,273	0.21%
280	10,001	50,000	6,082,042	0.55%
60	50,001	100,000	4,559,255	0.41%
89	100,001	500,000	21,452,323	1.93%
35	500,001	1,000,000	25,931,665	2.33%
59	1,000,001	5,000,000	139,790,235	12.56%
6	5,000,001	10,000,000	41,930,387	3.77%
3	10,000,001	15,000,000	37,749,840	3.39%
3	15,000,001	25,000,000	53,568,884	4.81%
12	25,000,001	Above	759,245,121	68.21%
40,578			1,113,030,748	100.00%

Categories of Shareholders

As of December 31, 2016

Particulars	No. of Shareholders	Balance Shares	Percentage
Directors, CEO, Spouses & Minor Children	14	121,947,443	10.9563
Associated Companies	7	150,545,781	13.5258
NIT & ICP	2	459,859	0.0413
Banks, DFI & NBFI	24	7,821,515	0.7027
Insurance Companies	12	77,694,352	6.9804
Mutual Funds	56	14,122,572	1.2688
Public Sector Cos. & Corp.	10	27,938,120	2.5101
General Public (Local)	36,833	148,673,280	13.3575
General Public (Foreign)	3,349	2,607,494	0.2343
Foreign Companies	80	384,523,679	34.5474
Others	186	176,692,194	15.8749
Modarabas	5	4,459	0.0004
Company Total	40,578	1,113,030,748	100.0000

Pattern of Shareholding under Code of Corporate Governance

As of December 31, 2016

Associated Companies, Undertakings and Related Parties:

Maybank International Trust (Labuan) Berhad	222,606,147
Nishat Mills Limited	85,339,091
Adamjee Insurance Company Limited	42,945,187
Trustee - MCB Provident Fund Pak Staff	33,966,060
Trustee - MCB Employees Pension Fund	19,366,622
Siddiqsons Limited	14,276,462
Din Leather (Pvt) Ltd	6,936,333
Nishat Mills Ltd. Employees Provident Fund Trust	8,284,390
Trustees of Adamjee Insurance Company Ltd. Employees Provident Fund	73,577
Trustee, Nishat (Chunian) Limited Employees Provident Fund	8,857
Central Depository Company of Pakistan Limited	8
First Women Bank Limited	59,400
Adamjee Life Assurance Co. Ltd - IMF	1,005,700
Adamjee Life Assurance Co. Ltd - DGF	43,000

Mutual Funds:

Safeway Fund (Pvt) Ltd.	1,651
Pak Asian Fund Limited	162
Prudential Stock Fund Ltd.	179
CDC - Trustee MCB Pakistan Stock Market Fund	212,000
MCBFSL - Trustee JS Value Fund	320,700
CDC - Trustee Pakistan Capital Market Fund	100
CDC - Trustee PICIC Investment Fund	780,500
CDC - Trustee JS Large Cap. Fund	180,000
CDC - Trustee PICIC Growth Fund	1,506,300
CDC - Trustee Atlas Stock Market Fund	250,000
CDC - Trustee Faysal Balanced Growth Fund	38,000
CDC - Trustee Alfalah Ghp Value Fund	194,500
CDC - Trustee Unit Trust of Pakistan	460,800
CDC - Trustee AKD Index Tracker Fund	95,228
CDC - Trustee NAFA Income Opportunity Fund	17,000
Tri. Star Mutual Fund Ltd.	754
CDC - Trustee Faysal Asset Allocation Fund	35,000
CDC - Trustee UBL Stock Advantage Fund	1,195,900
CDC - Trustee NAFA Stock Fund	2,211,100
CDC - Trustee NAFA Multi Asset Fund	141,900
CDC - Trustee Askari Asset Allocation Fund	22,200
Trustee-BMA Chundrigar Road Savings Fund	500
CDC - Trustee APF-Equity Sub Fund	25,000
CDC - Trustee JS Pension Savings Fund - Equity Account	55,000
CDC - Trustee HBL - Stock Fund	981,200
MCBFSL - Trustee JS Growth Fund	790,500
CDC - Trustee HBL Multi - Asset Fund	109,900
CDC - Trustee Alfalah GHP Stock Fund	476,500
CDC - Trustee Alfalah GHP Alpha Fund	311,200
CDC - Trustee NIT-Equity Market Opportunity Fund	667,676
CDC - Trustee ABL Stock Fund	1,012,700
CDC - Trustee First Habib Stock Fund	23,870
CDC - Trustee Lakson Equity Fund	721,202
CDC- Trustee NAFA Asset Allocation Fund	186,600
CDC - Trustee Pakistan Income Enhancement Fund - Mt	1,700
CDC - Trustee PICIC Income Fund - Mt	300
CDC - Trustee PICIC Stock Fund	76,000
CDC - Trustee HBL PF Equity Sub Fund	34,500
CDC - Trustee Askari Equity Fund	23,500
CDC - Trustee Alfalah GHP Income Fund - Mt	500
CDC - Trustee Atlas Income Fund - Mt	39,900
CDC - Trustee NAFA Pension Fund Equity Sub-Fund Account	151,100
CDC - Trustee UBL Asset Allocation Fund	177,500

Pattern of Shareholding under Code of Corporate Governance

As of December 31, 2016

CDC - Trustee First Capital Mutual Fund	35,500
CDC - Trustee Faysal Savings Growth Fund - Mt	17,500
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	291,900
CDC - Trustee ABL Pension Fund - Equity Sub Fund	15,800
CDC - Trustee PIML Value Equity Fund	11,800
CDC - Trustee HBL Mustahakum Sarmaya Fund 1	44,000
CDC -Trustee NITPF Equity Sub-Fund	25,000
CDC - Trustee Alfalah GHP Income Multiplier Fund - Mt	300
MCBFSL Trustee MCB Pakistan Frequent Payout Fund	25,000
CDC - Trustee Faysal Mts Fund - Mt	1,600
CDC - Trustee Lakson Tactical Fund	97,650
MCBFSL Trustee JS Capital Protected Fund V	20,000
CDC - Trustee Pakistan Income Fund - Mt	5,700

Directors and their Spouse(s) and Minor Children:

Mian Mohammad Mansha	7,834
Naz Mansha	6,424,057
S. M. Muneer	2,059
Saeeda Parveen	2,427,986
Tariq Rafi	32,008,864
Nighat Tariq	5,715,093
Shahzad Saleem	902
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 Ahmed Hashmi	500

Executives*: 12,933

*Executive means an employee with grade EVP-II level and above

Public Sector Companies and Corporations: 27,938,120

Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: 85,520,326

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	85,339,091

All trades in shares carried out by Directors, CEO, CFO, Company Secretary, Executives, their Spouse(s) and Minor Children during the year 2016 are given as under:

Name	Status	No. of Shares	Purchase/ Sale/Transfer
Iqraa Hassan Mansha	Director	8,000	Purchased
Irfan Ahmed Hashmi	Director	500	Purchased

Notice of 69th Annual General Meeting

Notice is hereby given that 69th Annual General Meeting of **MCB Bank Limited** (“the Bank”) will be held at Pearl-Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, on **Wednesday, March 29, 2017, at 10:00 AM** to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Annual Audited Separate and Consolidated Financial Statements of the Bank together with the Directors’ and Auditors’ reports thereon for the year ended December 31, 2016.
2. To appoint External Auditors of the Bank and fix their remuneration. The retiring auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants, being eligible, have offered themselves for re-appointment to act as Statutory Auditors of the Bank for the year ending December 31, 2017.
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 paid for the year ended December 31, 2016.

Special Business:

4. To consider and pass the following resolution as Special Resolution, with or without modifications, to approve alterations in the Articles of Association of the Bank in accordance with the provisions of Section 28 of the Companies Ordinance, 1984:

“RESOLVED THAT the approval be and is hereby granted to make the following amendments/ addition in Articles of Association of the Bank in accordance with requirements of the Companies (E-Voting) Regulations, 2016 issued by the Securities and Exchange Commission of Pakistan:

- a) **the existing Articles 79 and 84 of the Articles of Association of the Bank be amended as follows:**

Title	Existing Article	Amended Article
Articles 79: Votes.	On a show of hands every member present in person shall have one vote except, for election of directors in which case the provisions of Section 178 shall apply. On a poll every member present in person or by proxy shall have one vote for each shares held by him.	On a show of hands every member present in person shall have one vote except, for election of directors in which case the provisions of Section 178 shall apply. On a poll every member present in person or by proxy shall have one vote for each shares held by him. A member may also opt for E-Voting in a General Meeting of the Company under the provisions of the Companies (E-Voting) Regulations, 2016 (including any statutory modification thereof), as amended from time to time.
Articles 84: Instrument appointing proxy to be in writing.	The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or if such appointor is a corporation under its common seal or the hand of its attorney. No person shall be appointed a proxy who is not a member of the Company and qualified to vote save that a corporation being a member of the Company may appoint as its proxy any officer of such corporation whether a member of the Company or not.	The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or if such appointor is a corporation under its common seal or the hand of its attorney. No person shall be appointed a proxy who is not a member of the Company and qualified to vote save that a corporation being a member of the Company may appoint as its proxy any officer of such corporation whether a member of the Company or not. In the case of E-Voting under the provisions of the Companies (E-Voting) Regulations, 2016, both members and non-members can be appointed as proxy.

Notice of 69th Annual General Meeting

- b) the following new Article 87(a) be inserted after the existing Article 87 of the Articles of Association of the Bank:

Form of Proxy in case of E-Voting

87A. An instrument of proxy in relation to e-voting shall be in the following form:

I/We, _____ of _____, being a member of MCB Bank Limited, holder of _____ Share(s) as per Register Folio No. _____ or CDC account No. _____ hereby opt for E-voting through Intermediary and hereby consent to the appointment of Execution Officer _____ as proxy and will exercise E-voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is _____, please send login details, password and electronic signature through email.

Signature of Member
(Signature should agree with the specimen signature registered with the Company)

Signed in the presence of:

Signature of Witness

Signature of Witness

The Proxy E-Voting Form shall be required to be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.'

“FURTHER RESOLVED THAT the Company Secretary and/or Chief Financial Officer be and are hereby jointly/severally authorized to do all acts, deeds and things, take all steps and actions necessary, ancillary and incidental for altering the Articles of Association of the Bank, including filing of all requisite documents/statutory forms, as may be required to be filed with the Registrar of Companies and complying with all other regulatory requirements, so as to effectuate the alterations in the Articles of Association and implementing the aforesaid resolution.”

A Statement under Section 160(1)(b) of the Companies Ordinance, 1984 setting forth all material facts pertaining to the Special Business referred to above, is annexed to this Notice being sent to the members.

By Order of the Board,

March 07, 2017
Lahore

FIDA ALI MIRZA
Company Secretary

Notice of 69th Annual General Meeting

Notes:

1. The Shares Transfer Books of MCB Bank Limited (“the Bank”) will remain closed from March 21, 2017 to March 29, 2017 (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 20, 2017 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 69th Annual General Meeting (“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 the power of attorney or other authority (if any) under which it is signed, or a notarized certified copy of the power of attorney or authority in order to be effective must be deposited at the Share Registrar 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-acountholder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (“CNIC”) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors’ resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For Appointing of Proxies:

- i. In case of individuals, the accountholder or sub-acountholder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.

Notice of 69th Annual General Meeting

Statement under Section 160 (1)(b) of the Companies Ordinance, 1984 pertaining to Special Business

This Statement as required under Section 160(1)(b) of the Companies Ordinance, 1984, sets out the material facts pertaining to the Special Business to be transacted at the 69th Annual General Meeting of the Bank.

Agenda No. 4

Approval for Alteration in the Articles of Association of the Bank:

The Securities and Exchange Commission of Pakistan ("SECP") vide its SRO No. 43(I)/2016, dated January 22, 2016, has issued the Companies (E-Voting) Regulations, 2016, (the "Regulations") which shall apply to general meetings of listed companies for providing voting rights to members through electronic means managed by authorized Intermediary. The Regulations requires that MCB Bank Limited ("the Bank") being a listed company, shall formulate procedures for appointment and authorization of intermediary and its articles of association shall provide that in case of e-voting both members and non-members can be appointed as proxy.

The members opting for e-voting shall be required to communicate their intention to opt for e-voting and demand of poll for resolutions through an instrument of e-voting to the Bank at least ten (10) days before holding of a general meeting, through regular mail or electronic mail at the registered address/email of the Bank, to be provided in notice of the meeting. The Bank shall arrange for e-voting if the Bank receives demand for poll from at least five members or by any member or members having not less than one tenth of the voting power.

In case of receipt of e-voting request, the Bank shall provide detail of members who have opted for e-voting to the Intermediary along with their email addresses and also communicate the name and contact details of Intermediary to the members opted for e-voting. The facility for e-voting shall remain open for not less than three (3) days and shall close at 1700 hours on the date preceding the date of the general meeting. Members who intending to cast vote through e-voting shall be authenticated through secured electronic signature provided by the Intermediary and shall cast vote online during the time specified.

Inspection of Documents:

The copies of the existing and amended Memorandum and Articles of Association have been kept at the Registered Office of the Bank which could be inspected on any working day during usual business hours till the date of 69th Annual General Meeting of the Bank.

Website of the Bank:

The Annual Audited Financial Statements of the Bank for the year ended December 31, 2016 and Notice of 69th Annual General Meeting along with the Statement under Section 160 (1)(b) of the Companies Ordinance, 1984, pertaining to Special Business, have been placed on website of the Bank.

Interest of Directors:

The directors have no direct or indirect interest in the above said Special Business save their shareholdings in the Bank.

Notice of 69th Annual General Meeting

The following Circulars/Notifications require special attention of the shareholders:

1. **Withholding of Payment of Dividend – CNIC Requirement:**

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 and in the absence of such information payment of dividend will be withheld. SECP vide its letter No. EMD/233/21/2002-2315, dated June 09, 2016, has allowed MCB Bank to withhold all future dividends of those shareholders who had not yet provided copies of their valid CNICs. The Shareholders are again requested to provide a valid copy of their CNIC to the Share Registrar and Transfer Agent at below mentioned address, enabling the Bank to comply with the directions issued by the SECP vide SRO # 831 (I) 2012, dated July 05, 2012 read with SRO # 19 (I) 2014, dated January 10, 2014.

2. **Payment of Cash Dividend Electronically (e-Dividend Mechanism):**

SECP through its Notification No. 8(4)SM/CDC 2008, dated April 05, 2013, has advised that the shareholders who have provided bank mandate, should be paid dividend by transferring directly to their respective bank accounts (e-dividend mechanism); therefore, the registered shareholders of the Bank, who have not yet provided us dividend mandate are requested to provide the details of their bank account including title of account, account number, bank name, branch name & code and address, in order to credit their cash dividends, as and when declared, directly to their respective bank accounts. This information would require to be provided to: (i) in case of book-entry securities in Central Depository System (“CDS”), to CDS Participants; and (ii) in case of physical securities to Share Registrar and Transfer Agent of MCB Bank at below mentioned address. It would facilitate the shareholders to take dividend mandate option for instant credit of dividends, eliminating the chances of dividend warrants getting lost in the post, undelivered or delivered at the wrong address etc.

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 Financial Statements and Notice of AGM through email are requested to fill the requisite form titled ‘Standard Request Form’ placed on the website of the Bank and dispatch it to Bank’s Share Registrar and Transfer Agent at below mentioned address. 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, 2016, 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: 12.5%
- For Non-Filers of Income Tax Returns: 20.0%

In case of joint-shareholders, tax is to be deducted as per ratio of their shares in the ownership.

Federal Board of Revenue (“FBR”) has provided the Active Tax-Payer List (“ATL”), for identification on the basis of National Tax Number (“NTN”)/Computerized National Identity Card (“CNIC”) number; hence, in case of non-availability of valid NTN/CNIC number of the respective shareholder with the Bank’s Share Registrar and Transfer Agent, he/she will be treated as ‘Non-Filer’ and accordingly tax at the rate of 20% would be deducted. Therefore, the shareholders who have not yet provided such information are requested to ensure that their valid NTN/CNIC number should be available with the Share Registrar and Transfer Agent of MCB Bank, whereas, shareholders having CDC Accounts would require to provide their valid NTN/CNIC number to their respective CDC participants.

5. **Requirement of Valid Tax Exemption Certificate for Claim of Exemption**

U/S 150 of the Income Tax Ordinance, 2001:

Please be advised that in wake of recent judgments of respective courts of law, the exemption certificate u/s 159 of the Income Tax Ordinance, 2001, is mandatory to claim tax exemption u/s 150. Accordingly, the Bank may not be awarding exemption on the basis of Clause 47B of Part IV of Second Schedule to the Income Tax Ordinance, 2001. However, if an entity has filed a petition against the FBR, in any relevant court, a certified true copy of the Stay Order of honorable court along with all latest court proceedings (if any) would be required in lieu of valid tax exemption certificate, for non-deduction of withholding tax. In case of non-availability of valid tax exemption, deduction of tax under

Notice of 69th Annual General Meeting

relevant sections shall be made accordingly.

6. Deduction of Withholding Tax on Joint Account Holder(s):

The Joint Account Holders whose shareholding details as to Principal Shareholder have not yet been determined for deduction of withholding tax on the upcoming dividend of the Bank, are requested to please furnish to the Bank's Share Registrar and Transfer Agent at below mentioned address, the shareholding details of yourself as Principal Shareholder and your Joint Holder(s) in the following manner, enabling the Bank to compute withholding tax of each shareholder accordingly:

CDC Account No./ Folio No.	Name of Principal Shareholder/Joint Holders	Shareholding Proportion	CNIC No. (copy attached)	Signature

Kindly note that in case of non-receipt of the information each Account Holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly.

7. 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, 2016 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 or Share Registrar and Transfer Agent of the Bank to provide hard copy of Annual Audited Accounts instead of DVD and the same will be provided at his/her registered addresses, 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.

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 Bank's Share Registrar and Transfer Agent at the below mentioned address to merge their folios into one folio..

- While sending the copy of NTN/CNIC number, the shareholders are requested to quote their respective folio numbers for identification purpose.

**M/s THK Associates (Pvt) Ltd,
Share Registrar-MCB Bank Limited**
First Floor, 40-C, Block-6,
P.E.C.H.S., Karachi-75530
UAN: +92 (21) 111-000-322
Direct: +92 (21) 34168266-68-70
Fax: +92 (21) 3 4168271
Email: secretariat@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

CAGR

An abbreviation for Compound Annual Growth Rate.

Capital Adequacy Ratio (CAR)

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan.

Cash Reserve Ratio (CRR)

Cash Reserve Ratio is the amount of funds that the banks have to keep with SBP.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Commitment to Extend Credit

Credit facilities approved but not yet utilized by the client as at the Balance Sheet date.

Cost to Income Ratio

The proportion of admin expenses to total income, represented as combination of net interest income and non interest income.

Credit Risk Spread

The credit spread is the yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark or risk-free rate required by the market to take on a lower credit quality.

Discount rate

Discount is the rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

Dividend Payout Ratio

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

Dividend Yield Ratio

Dividend per share divided by the market value of share.

Earnings Per Share

Profit after taxation divided by the weighted average number of ordinary shares in issue

Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

Forced Sale Value (FSV)

Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged / pledged assets in a forced / distressed sale conditions.

Government Securities

Government Securities shall include such types of Pak. Rupee obligations of the Federal Government or a Provincial Government or of a Corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government as the Federal Government may, by notification in the Official Gazette, declare, to the extent determined from time to time, to be Government Securities.

Impairment allowances

A provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss inherent in the lending book. An impairment allowance may either be identified or unidentified and individual or collective.

Foreign Exchange Options(FX Options)

Contracts that give the buyer the right, but not the obligation, to buy or sell one currency against the other, at a predetermined price and on or before a predetermined date. The buyer of a call/ put FX option has the right to buy/sell a currency against another at a specified rate.

Forward Purchase Contract

Forward purchase contract is one in which the exporter enters into the forward booking contract to protect himself from the exchange rate fluctuation at the time of receiving payment.

Forward Sale Contract

In a forward sale contract the importer enters into a transaction to buy foreign currency from the Bank at the predetermined rate to protect himself from the exchange fluctuation at the date the payment.

Historical Cost Convention

Recording transactions at the actual value received or paid.

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

IFRIC

International Financial Reporting Interpretation Committee

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Loan losses and provisions

Amount set aside against identified and possible losses on loans, advances and other credit facilities as a result of their becoming party or wholly uncollectible.

Liquid Assets

The assets which are readily convertible into cash without recourse to a court of law and mean encashment / realizable value of government securities, bank deposits, certificates of

Glossary of Terms

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 20	Up to Rs. 75 million

*including contract employees.

Basel III

Basel III (or the Third Basel Accord) is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk.

Strategic Investment

Strategic Investment is an investment which a bank / DFI makes with the intention to hold it for a period of minimum 5 years.

The following must be noted further in respect of strategic investment:

- The bank should mark strategic investment as such at the time of investment
- If there are a series of purchases of stocks of a company, the minimum retention period of 5 years shall be counted from the date of the last purchase.

SRO

Statutory Regulatory Order

KIBOR – (Karachi Interbank Offered Rate)

KIBOR is the interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

LIBOR (London Interbank Offered Rate)

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

VaR

Value at Risk is an estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a confidence level of 97.5 per cent.

Weighted Average Cost of Deposits

Percentage of the total interest expense on average deposit of the bank for the period.

INVESTOR'S AWARENESS

For the year ended December 31, 2016

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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-  FAQs Answered
-  Stock trading simulator (based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

 jamapunji.pk  [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Form of Proxy

69th 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 69th Annual General Meeting of the Bank to be held on **Wednesday, March 29, 2017 at 10:00 AM** at Pearl-Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, and at any adjournment thereof.

As witness my / our hand/Seal this _____ day of _____ 2017
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 : _____ Address : _____ CNIC No. : _____ Signature : _____	2. Name : _____ Address : _____ CNIC No. : _____ Signature : _____
---	---

Note:

1. A member eligible to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting.
2. This Proxy Form, duly completed and signed, must be deposited in the office of M/s THK Associates (Pvt) Limited, the Share Registrar and Transfer Agent of the Bank, situated at First Floor, 40-C, Block-6, P.E.C.H.S., Karachi, not less than 48 hours before the time of holding the meeting.
3. If a member appoints more than one proxy and more than one instrument of proxies are deposited by a member with the Share Registrar and Transfer Agent of the Bank, all such instruments of proxy shall be rendered invalid.
4. For CDC Account Holders / Corporate Entities
 - Attested copies of Computerized National Identity Card ("CNIC") or the passport of the beneficial owners and the proxy shall be provided with the Proxy Form.
 - The proxy shall produce his/her original CNIC or passport at the time of the meeting.
 - In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with Proxy Form to the Share Registrar and Transfer Agent of the Bank.

پراکسی فارم

69 واں سالانہ عام اجلاس

ایم سی بی بینک لمیٹڈ

میں / ہم _____
 ضلع _____ بحیثیت ممبر ایم سی بی بینک لمیٹڈ اور _____ عام حصص کا مالک مستحق / مسماة _____
 ساکن _____ کو جس کا فولیو ای سی ڈی سی اکاؤنٹ نمبر _____ یا اس کی عدم دستیابی کی صورت میں
 مستحق / مسماة _____ ساکن _____ کو جو کہ بینک کا ممبر بھی ہے، جس کا فولیو ای 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
 69 واں سالانہ عام اجلاس جو بروز بدھ، مورخہ 29 مارچ، 2017ء بوقت 10:00 بجے صبح بمقام پرل کانسٹیٹیبل ہوٹل، شاہراہ قائد اعظم، 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 _____ 2017ء

پانچ روپیہ کے ریونیو سٹامپ پر
 دستخط

دستخط بینک میں رجسٹرڈ نمونے
 سے مطابقت رکھنے ہونے چاہیے

سی ڈی سی اکاؤنٹ نمبر		فولیو نمبر
اکاؤنٹ نمبر	پارٹنیشنپنٹ I.D.	

گواہان:

(1) نام: _____
 پتہ: _____
 شناختی کارڈ نمبر: _____
 دستخط: _____

(2) نام: _____
 پتہ: _____
 شناختی کارڈ نمبر: _____
 دستخط: _____

نوٹ:

- 1- اجلاس میں شرکت کرنے، ووٹ دینے کے اہل رکن کسی دوسرے رکن کو اپنا اپنی پراکسی مقرر کر سکتا ہے جس کی وکٹریٹ کرنے، بولنے اور ووٹ دینے کا حق حاصل ہوگا۔
 - 2- یہ عمل پر کردہ اور دستخط شدہ پراکسی فارم بینک کے شیئرز رجسٹرار اور ٹرانسفر ایجنٹ، ہنسر ڈی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، بمقام پہلی منزل، 40-سی، بلاک 6، پی۔ای۔سی۔ ایچ۔ ایس، کراچی، کے دفتر میں اجلاس کے انعقاد سے 48 گھنٹے پہلے جمع کروانا چاہیے۔
 - 3- اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور بینک کے شیئرز رجسٹرار اور 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 عدم تصور ہوں گی۔
 - 4- سی ڈی سی اکاؤنٹ رکھنے والوں / کارپوریٹ اداروں کے لیے:
- * مستفید مالکان اور پراکسی کا کمپیوٹرائزڈ ذمہ دار 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 / مختار نامہ نمونے کے مطابق دستخط کے ساتھ بینک کے شیئرز رجسٹرار اور ٹرانسفر ایجنٹ کے پاس پراکسی فارم کے ساتھ جمع کروانا ہوگا۔

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