



Bank for Life



ANNUAL REPORT 2015

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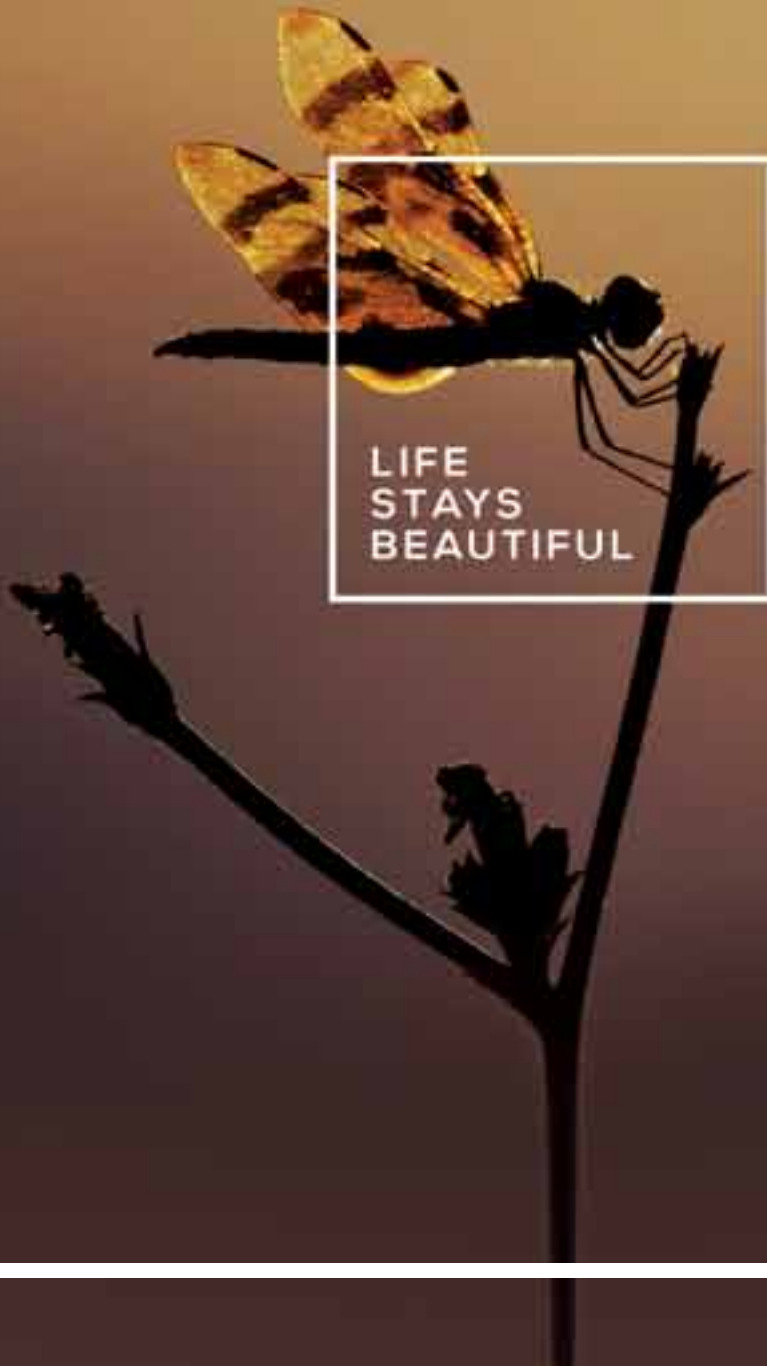
LIFE
STAYS
BEAUTIFUL

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.



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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

A photograph of a sunset over a field. The sky is a mix of deep blue, orange, and purple, with scattered clouds. In the foreground, there is a dark, silhouetted line of trees and a field of tall grasses.

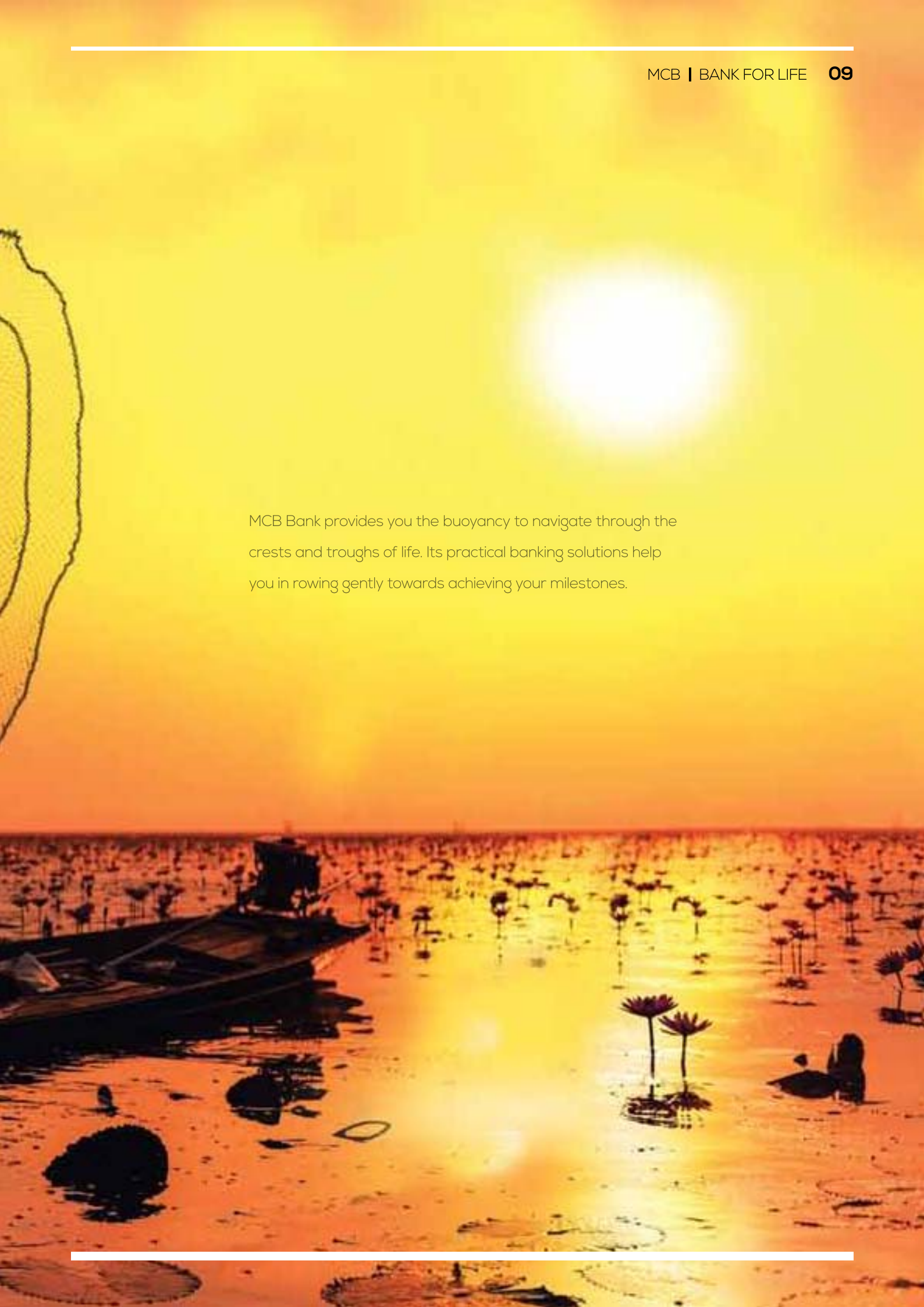
Life symbolizes love, laughter, sorrows and its many highs and lows. It signifies a constant struggle to achieve certain goals in life. Sometimes along the journey there comes a time when one loses hope and faith; there seems to be no light at the end of the tunnel. MCB Bank is proud to provide hope which aspires one to bring dreams into reality with the promise to aim higher, filling up your life with positivity all along. It thus makes your life smooth and helps it stay beautiful.

A landscape photograph featuring a large, leafy tree in the center of a grassy field. The sky is a mix of deep blue and vibrant orange, suggesting a sunset or sunrise. The text "LIFE STAYS BEAUTIFUL" is overlaid in white, bold, uppercase letters within a white rectangular frame that encloses the tree and the text.

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LIFE
STAYS
PASSIONATE

A serene sunset scene over a vast field of lotus flowers. The sun is a bright, glowing orb in the upper right, casting a golden light across the sky and reflecting on the water. The lotus flowers, in various stages of bloom, are scattered across the field, their dark silhouettes contrasting with the warm, orange and yellow tones of the sunset. In the lower left foreground, a dark wooden boat is partially visible, its form silhouetted against the bright water. The overall atmosphere is peaceful and contemplative.

MCB Bank provides you the buoyancy to navigate through the crests and troughs of life. Its practical banking solutions help you in rowing gently towards achieving your milestones.



LIFE
STAYS
ADVENTUROUS

MCB Bank provides security to your savings and protects your investments, thereby giving you the freedom to live a better life.



LIFE
STAYS
SECURE



Stay secure on the go. MCB Bank is committed to help its customers manage their money. It works hard to secure your savings, protect your investments, thereby giving you the freedom to dream bigger and do better.

A silhouette of a person holding a camera to their eye, set against a vibrant sunset sky with shades of purple, pink, and orange. The person is positioned on the left side of the frame, looking towards the right. A white rectangular box is superimposed over the person's face and the camera, containing the text "LIFE STAYS FOCUSED". The background shows a hazy landscape with rolling hills or mountains under the twilight sky.

LIFE
STAYS
FOCUSED

MCB Bank is your dependable banking partner; one that helps you ensure that you become the master of your life. It supports your dreams of living a better life at your own terms.



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.

A photograph of a lighthouse on a rocky island at sunset. The sky is filled with vibrant orange and red clouds, and the sun is low on the horizon, casting a warm glow over the scene. The lighthouse is a tall, white tower with a dark top section, and its light is visible. Several small white buildings are situated near the base of the lighthouse. The foreground shows the dark, rocky terrain of the island, with some water visible in the distance. The text "LIFE STAYS BEAUTIFUL" is overlaid in a white box on the left side of the lighthouse.

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AWARDS

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

2004 Euromoney:
 2004 Asiamoney:

Best Bank in Pakistan
 Best Domestic Bank in Pakistan

2003 Euromoney:

Best Bank in Pakistan

2001 Euromoney:
 2001 Euromoney:

Best Bank in Pakistan
 Best Bank in Pakistan

2000 Euromoney:

Best Bank in Pakistan

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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.

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 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 the 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 Lending Products

MCB Car4U: MCB Car4U brings for you an affordable and flexible opportunity to have your very own car. To suit your needs, our car financing solution is designed to give you unmatched convenience in helping you acquire a car of your choice in the shortest possible time at very competitive rates.

MCB Home Loan: A home of your own is a blessing and a long-held aspiration of many. Now with MCB Home Loan, fulfilling this dream has become easy. MCB Home Loan opens doors to numerous financing options to help you purchase, build or renovate your new / existing home.

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 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 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 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 Wealth Management

MCB 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 distribution of mutual funds managed by the leading fund managers of Pakistan. We can suggest the products most suited for your needs, or work with you to create a personalized solution completely focused on your expectations of the capital markets.

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's Visa Debit Cards is a way forward into the future payments. MCB Bank is proud to have Pakistan's first chip-based Visa Debit Card which allows customers to have unmatched convenience, enhanced security and round-the-clock accessibility to their funds. MCB Visa 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 Visa 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

PRODUCTS & SERVICES

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.

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 developing the E-commerce market in the country.

MCB ATMs: MCB Bank has the Second largest ATM network with 1070+ ATMs including 100 off-site ATMs placed at commercial locations like malls, hospitals etc. for consumer's convenience. The network covers more than 390 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 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 70,000. 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 along with the accompanying VISA card 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 vision 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 which make 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.

MCB Agri Financing Products

Agriculture finance business of the Bank has embraced new & progressive outlook with the shifting of focus from recovery to expansion during the year 2015. As a result of new initiatives, the portfolio size has got almost doubled and provision of credit to the farming community for production of crops and mechanized farming has been significantly increased. This is being ensured by maintaining a separate Agriculture Credit Division and a team of agriculture marketing officers posted at branches located in areas rich in agri potential.

MCB Bank fully supports all Government and State Bank of Pakistan's 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 (Abiari Finance), ADF (Dairy & Meat finance), ADF (Murghbani Finance), ADF (Baghbani Finance), ADF (Mahigeri Finance) and ADF (Zari Technology Finance).

The amount of finance sanctioned depends upon the credit requirement 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.

CFIBG Products and Services

MCB Burqraftaar Home Remittance: MCB 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 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.

PRODUCTS & SERVICES

MCB Transaction Banking: Transaction Banking provides a wide range of value-added collection and payment services to large corporations through its 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:** TBD 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 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.

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.

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.

MCB Islamic Banking Products:

MCB - Islamic Banking Group (IBG) provides Shari'ah compliant solutions to its valued customers to fulfill their deposit as well as financing needs. Customers' needs on deposit side are being satisfied keeping in view their business, short term and long term investment requirements; whereas on financing side, the Working Capital, Capital Expenditures, Trade Business and Consumer requirements are being satisfied through available Shari'ah Compliant financing products. In addition to existing products, MCB Islamic Banking believes in facilitating its customers by offering new products both on assets and liability side. This year, MCB Islamic Banking has introduced new variants of its asset based products for satisfying specific demands of its customers and foreign currency current and saving accounts. MCB Islamic Banking is offering its products through its 34 dedicated Islamic Banking branches in 17 cities across the country.



PRODUCTS & SERVICES

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 processing 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 plus a wonderful gift scheme based on the account balance. This encourages parents and children to grow their account balance in order to enjoy the financial return as well as to collect the gift items reaching the 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 network with over 700 ATMs Island wide. Transactions using MCB Bank ATMs are free of charge and also three free transactions are offered for a month via other bank ATMs connected to the sharing network to offer convenience to customers.

Virtual Banking - Wherever, whenever!

At MCB Bank we relentlessly dedicate our time to trying 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 transaction at a time convenient for them instead of restricting themselves to the standard banking hours. Local and overseas funds transfer, 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, such as Foreign Exchange Earner's Accounts and Special Foreign Investment Deposit Accounts.

Leasing - 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.

Islamic Banking - A right way of Banking for a right way of Life!

MCB Islamic Banking Division is one of the pioneers to introduce Islamic Banking services in Sri Lanka, which commenced operations in March 2006. Since then the Division has gained a rapid growth among the Islamic Finance Sector of the country by offering a full-fledged Sharia compliant product range to its customers. Our savings product range (Al-Makhrj Savings and Term Deposits) offers attractive profit sharing ratios whilst, the IANAT Current Account offers convenient and secure ways to transact with a personalized cheque book. In view of Business Clients, a wide range of financing products including Ijarah, Murabaha, Diminishing Musharika facilities, working capital and structured project financing solutions are available along with a wide range of trade services.

Islamic Banking customers can also enjoy convenient banking solutions such as ATM services, Virtual Banking and extended banking hours from 9a.m. to 4p.m. on weekdays plus Saturday banking services.

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 & 12 months. It is an attractive option for our business customers with short to mid-term investment opportunities.

Demand Finance

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

Overdraft

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

Bills Discounting

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

Post-dated Cheque Discount Facility

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

Financing 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.

- 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.
- 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 bill 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

Offshore Banking - OBU Bahrain

MCB Bank offers a variety of offshore banking services like current, savings and terms deposits, trade finance, syndicated transaction and other funded / unfunded banking facilities mainly in USD, to eligible and select offshore clients through its Wholesale Bank Branch in Bahrain.



LIFE
STAYS
BEAUTIFUL

CORPORATE INFORMATION

Mian Mohammad Mansha (Non-Executive Director)
Chairman

S. M. Muneer (Non-Executive Director)
Vice Chairman

Tariq Rafi (Non-Executive Director)

Shahzad Saleem (Non-Executive Director)

Sarmad Amin (Non-Executive Director)

Aftab Ahmad Khan (Non-Executive Director)

Mian Raza Mansha (Non-Executive Director)

Mian Umer Mansha (Non-Executive Director)

Dato' Seri Ismail Shahudin (Non-Executive Director)

Ahmad Alman Aslam* (Non-Executive Director)

Muhammad Ali Zeb (Non-Executive Director)

Mohd Suhail Amar Suresh (Non-Executive Director)

Imran Maqbool (Executive Director)
President & CEO

Audit Committee

Ahmad Alman Aslam* (Non-Executive Director)
Chairman

Tariq Rafi (Non-Executive Director)

Aftab Ahmad Khan (Non-Executive Director)

Dato' Seri Ismail Shahudin (Non-Executive Director)

Chief Financial Officer

Salman Zafar Siddiqi

Company Secretary

Fida Ali Mirza

Auditors

M/s. A. F. Ferguson & Co.
Chartered Accountants

Legal Advisors

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

Principal/Registered Office

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

Contact us:

UAN: +92 42 111 000 622

Email: investor.relations@mcb.com.pk

Visit us: www.mcb.com.pk

Registrar's and Share Registration Office

Head Office

M/s. THK Associates (Pvt.) Ltd.
2nd Floor, State Life Building No.3
Dr. Ziauddin Ahmed Road Karachi, Pakistan.

Branch Office

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

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

BOARD OF DIRECTORS





BOARD OF DIRECTORS



**MIAN
MOHAMMAD
MANSHA**

CHAIRMAN

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

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

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

Other Directorships:

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



S. M. MUNEEER

VICE CHAIRMAN

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

In addition, he has received the Sitara-e-Isaar and the Sitara-e-Imtiaz in 2006 and 2007 respectively by the President of Pakistan. His contributions and achievements go beyond the economic sphere into the education sector as well. He was awarded an Honorary PhD degree by the Governor of Sindh and is also a member of the Board of Directors of CBM and Greenwich College, Karachi and the Director of Shaukat Khannum Cancer Hospital, Lahore. Mr. S. M. Muneer is the Chairman of Chiniot Anjuman Islamia running many Hospitals, Maternity Homes, Schools & Colleges in Karachi, Faisalabad and Chiniot.

Mr. S. M. Muneer was awarded "Life Time Achievement Award" by the President of Pakistan, in the President House in 2012.

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 Sitara-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.

At MCB Bank, he is on the board since privatization of the bank and presently is the member of the Audit Committee and Write-off & Waiver Committee.

Other Directorships:

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



SHAHZAD SALEEM

DIRECTOR

After graduating from the Lahore University of Management Sciences (LUMS) on the Dean's Honor List, Shahzad laid the foundation of the Nishat Chunian Group with setting up a spinning mill in 1990. The company has since diversified into weaving, home textile, power generation and entertainment sectors. Today with a turnover of PKR 23.8 billion, NCL ranks amongst the top 5 textile companies in Pakistan.

The group ventured into the power business in 2007 with a 200 MW Independent Power Plant (IPP), Nishat Chunian Power Ltd. With a turnover of PKR 22.5 billion in 2015, the IPP provides electricity to the national grid. Both the companies are listed on Pakistan Stock Exchange.

Shahzad worked in the capacity of Director at Punjab Institute of Cardiology from Jan 2014-April 2015. He also served on the board of Pakistan State Oil from July-Oct 2014 and Adamjee Insurance Company Ltd. from 2004-2009. He is on the board of MCB Bank Limited since 1996 and has played a key role in the successful ventures undertaken by MCB including listing on the London Stock Exchange and the sale of 20% holdings of MCB to Maybank, Malaysia.

With strong ties to LUMS, Shahzad continues to serve the institution in various capacities. He is the founder of the LUMS Alumni Association and has served as its President for several tenures. Shahzad 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 200 bed tertiary care not for profit hospital in Lahore. The hospital will be built to state of the art international standards and will provide subsidized health care to the under privileged section of the city.

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



SARMAD AMIN

DIRECTOR

Mr. Amin has over 35 years of rich business experience in the fields of construction, electrical equipment manufacturing and textiles. He has been serving as Chairman of M/s. Samin Textiles Limited.

He was Vice President of Lahore Chamber of Commerce and Industry (LCCI), Member Board of Governors of Chand Bagh School and Member executive committee of All Pakistan Textile Mills Association (APTMA).

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

Other Directorships:

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



MIAN RAZA MANSHA

DIRECTOR

Mian Raza Mansha has more than 21 years diversified professional experience in various business sectors including Banking, Textile, Power, Cement, Insurance, Hotels, Properties, Natural Gas, Agriculture, Dairy etc. He received his Bachelors degree from the University of Pennsylvania, USA.

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

Other Directorships:

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



AFTAB AHMAD KHAN

DIRECTOR

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

At MCB Bank, he is also a member of the Audit Committee, IT Committee and Write-off and Waiver Committee.

Other Directorships:

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



MIAN UMER MANSHA

DIRECTOR

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

Presently, he is the Chairman of the Risk Management & Portfolio Review Committee and is a member of Business Strategy & Development Committee and Physical Planning and Contingency Arrangements at MCB Bank.

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

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
- Pakistan Business Council
- Nishat Farm Supplies (Pvt) Limited



AHMAD ALMAN ASLAM

DIRECTOR

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

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

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



DATO' SERI ISMAIL SHAHUDIN

DIRECTOR

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

Other Directorships:

- Malayan Banking Berhad
- EP Manufacturing Bhd
- Aseana Properties Limited
- Opus International Consultants Limited
- Maybank Islamic Berhad
- EP Metering Services Sdn Bhd
- Peps-JV (M) Sdn Bhd
- UEM Group Bhd
- Opus Group Berhad
- Sutera Mentari Sdn Bhd
- PKEINPK Sdn Bhd (Formerly known as Perbadanan Kemajuan Ekonomi Islam Negeri Perak)
- Cenviro Sdn Bhd (Formerly known as UEM Environment Sdn Bhd) (Un-Listed)
- Kualiti Alam Sdn Bhd
- Projek Penyelegaraan Lebuhraya Berhad
- Yayasan Sultan Azlan Shah
- KUISAS Berhad (Kolej Universiti Islam Sultan Azlan Shah)
- UEM Edgenta Berhad



MUHAMMAD ALI ZEB

DIRECTOR

Mr. Zeb is currently the CEO and Managing Director of Adamjee Insurance Company Limited. He is fellow member of Institute of Chartered Accountants of Pakistan and has over 20 years of diversified professional experience in the fields of Finance, Insurance & Manufacturing. He also served as council member of Insurance Association of Pakistan and Pakistan Insurance Institute. Insurance Association of Pakistan elected him as the Chairman for the year (2014) in terms of its Constitution.

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

Other Directorships:

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



MOHD SUHAIL AMAR SURESH

DIRECTOR

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.

His most recent appointment is as the Group Chief Technology Officer and the Head of Maybank Shared Services for the Maybank Group; primarily responsible for transforming IT within Maybank into IT Service Delivery for the Group. Having been with Maybank for over 3 years to-date, Suhail has gained strong insights in technology related operational excellence in order to maximise business capabilities. He has also a strong understanding of the Maybank Group and has the agility to navigate through the culture and business dynamics of the firm. Prior to this, 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, 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 in accelerating the growth of MEPS as the centralized national switch. Suhail also held several senior positions in the Information Services Division of a commercial bank. Throughout his extensive career in other multinational organisations, Suhail oversaw overall technology investments and directed the implementation and integration of Technology services within the Asia Pacific region.

Suhail is a Director to the Board of MCB Bank Limited; member of the board committees for MCB's Business Strategy & Development, and Risk Management & Portfolio review. He is also an Associate of the Malaysian Institute of Management; a Member of the Malaysian Institute of Bankers Association. He holds a Master of Business Administration from Charles Sturt University, Australia.



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 CitiBank 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



LIFE
STAYS
BEAUTIFUL

BOARD COMMITTEES

Audit Committee

Meetings held: 5

Composition:

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

Terms of Reference:

Determining appropriate measures to safeguard the Bank's assets, reviewing quarterly, half-yearly and annual financial statements of the Bank, prior to their approval by the Board of Directors, focusing on major judgmental areas; significant adjustments resulting from the audit; the going concern assumption; any changes in accounting policies and practices; compliance with applicable accounting standards; compliance with listing regulations and other statutory and regulatory requirements; and significant related party transactions, reviewing preliminary announcements of results prior to publication, facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary), reviewing management letter issued by external auditors and management's response thereto, ensuring coordination between the internal and external auditors of the Bank, making recommendation to the Board of Directors for 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, 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. Mr. Ahmad Alman Aslam - Chairman
2. Mr. S. M. Muneer
3. Mian Raza Mansha
4. Mian Umer Mansha
5. Mr. Mohd Suhail Amar Suresh
6. President & CEO

Terms of Reference:

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

BOARD COMMITTEES

Human Resource and Remuneration Committee

Meetings held: 4

Composition:

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

Terms of Reference:

The main tasks of the Committee shall be to ensure that the existing policies are reviewed periodically, and, as necessary, revised and recommended to the Board, in order to attract and retain highly qualified employees, the latest entry-level procedures are put in place for recruitment of entrants, the existing training facilities for the new entrants as well as for up-gradation of skill level of all employees are reviewed and revised, proper classification and reclassification of employees' pay scales, job description, and methods of their periodical review are put in place, an objective criterion for work appraisal/performance is developed & linked with the annual merit increase, a review is undertaken of the organizational structure to bring it in line with business strategy & development plan and approve an organizational set up or any revision in the existing set up taking into account the recommendations of the President, an in-house human resource expertise is developed. As appropriate, the Committee is empowered to hire Consultant(s) to undertake market analysis of above policies with a view to developing MCB policies, effective management information system is developed to monitor the implementation of policies as approved by the Board, the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO and recommend to the Board, the consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO, the selection, evaluation, compensation (including retirement benefits) and succession planning of the CFO, Company Secretary and Head of Internal Audit and recommend to the Board.

Risk Management and Portfolio Review Committee

Meetings held: 4

Composition:

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

Terms of Reference:

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

Committee on Physical Planning and Contingency Arrangements

Meetings held: 4

Composition:

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

Terms of Reference:

The main terms of reference of the Committee are to develop and device an overall plan for physical infrastructure and contingency arrangements for the Bank, to review and monitor all work in progress, including construction of premises and renovations, which shall, inter alia, be based on physical planning, to review, monitor and recommend to the Board the building plans, master development agreements and contingency arrangements and to review, from time to time, as the Committee deems appropriate, the administrative structures and plans in place to ensure the ongoing health and safety of utilities and physical assets, including land & buildings and recommend, as appropriate, changes in plans arising from this review.

BOARD COMMITTEES

IT Committee

Meetings held: 4

Composition:

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

Terms of Reference:

The main terms of reference of the Committee with regard to governance and supervision include approval of an overall plan for IT system for the Bank, approval of the organizational strategic plan to ensure an effective use of information technology by all departments and branches, approval and overseeing the management's program to automate the organization's use of internal information to ensure that data is organized and shared in a manner that adds value and enhances productivity, to approve and oversee a reliable and secure communications infrastructure with the capacity to address future growth, to approve policies those promote development of information technology resources in an organized, deliberate, secured, and cost effective manner, to review and approve Management recommendations for IT standards for ensuring compliance with regulatory requirements and identifying and mitigating significant IT related risks, to review and approve the Administrative IT structure, to undertake any other IT related work assigned to the Committee by the Board.

Compliance Review and Monitoring Committee

Meetings held: 2

Composition:

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

Terms of Reference:

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

to the Board, if necessary, for taking decisions on expedient and appropriate disposal of observations of SBP Inspection Report.

Write Off and Waiver Committee

Composition:

1. Mian Umer Mansha - Chairman
2. Mr. Tariq Rafi
3. Mr. Aftab Ahmad Khan

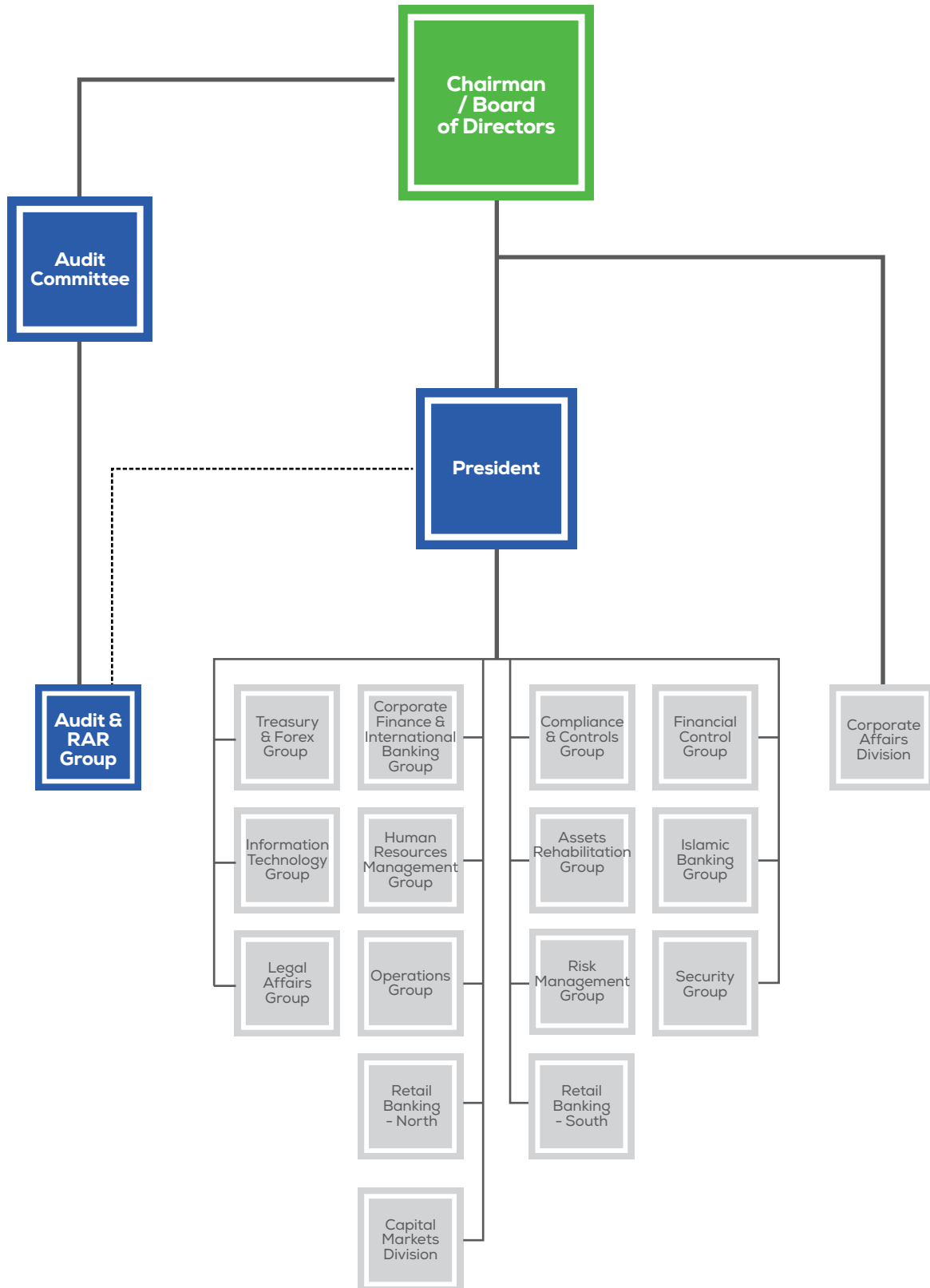
Terms of Reference:

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



LIFE
STAYS
BEAUTIFUL

ORGANIZATIONAL STRUCTURE



MANAGEMENT COMMITTEE



Front Row (L – R): Usman Hassan, Salman Zafar Siddiqi, Imran Maqbool, Mohammad Ramzan, Nadeem Afzal, Kamran Rasool

Back Row (L – R): Syed Mudassar Hussain Naqvi, M. Nauman Chughtai, Zargham Khan Durrani, Laqa Sarwar, Muhtashim Ashai, Kamran Zaffar Muggo, Farid Ahmad, Imtiaz Mahmood



MANAGEMENT COMMITTEE

1. Management Committee

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

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. Nadeem Afzal

3. Purchase & Expense Committee

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

4. Investment Committee

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

5. Issue Tracking and Monitoring Committee

1. Mr. Farid Ahmad - Chairman
2. Mr. Kamran Zaffar Muggo
3. Mr. M. Nauman Chughtai
4. Mr. Imtiaz Mahmood

6. Write off Committee

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

7. IT Steering Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Salman Zafar Siddiqi
3. Mr. Imtiaz Mahmood
4. Mr. Kamran Zaffar Muggo
5. Mr. Zargham Khan Durrani
6. Mr. Nadeem Afzal
7. Mr. Muhtashim Ashai
8. Mr. M. Nauman Chughtai

8. Disciplinary Action Committee

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

9. Management Credit Committee

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

10. Litigation Review Committee

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

OTHER SENIOR MANAGEMENT



**FIDA
ALI
MIRZA**

COMPANY SECRETARY



**MALIK
ABDUL
WAHEED**

ADVISOR TO CHAIRMAN



**AGHA
SAEED
KHAN**

GROUP HEAD AUDIT & RAR



**AZFAR
ALAM
NOMANI**

COUNTRY HEAD SRI LANKA



**SHOAIB
MUMTAZ**

COUNTRY HEAD U.A.E.



LIFE
STAYS
BEAUTIFUL

CORPORATE PROFILE OF THE BANK



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

Subsidiaries

MCB Financial Services Limited

Holding: 99.999%

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

MNET Services (Private) Limited

Holding: 99.95%

Profile: Provide services in Information Technology and to operate computer software and other data processing equipment.

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: 27.59%

Euronet Pakistan (Private) Limited

Holding: 30%



CHAIRMAN'S MESSAGE

I am pleased to let you know that 2015 has been another successful year for MCB Bank Limited and that its results have met the expectations of the Bank's valued stakeholders. The Bank continued to deliver in 2015 and achieved some major milestones during the year. In its latest Asia Pacific research, Credit Suisse has cited MCB Bank as the best bank in Pakistan, and one of the best banks in Asia (among the top three). Credit for such global acclaim and recognition can be attributed to the strategic direction from the Board and consistent performance by the staff of MCB Bank, despite challenging circumstances.

Our credentials of being the best bank in Pakistan are reaffirmed through long term rating of AAA and short term rating of A1+. Earnings of the bank as measured through EPS of 22.96 for 2015, remain one of the highest in Pakistan's banking industry. The bank's focused strategic agenda of vigilant asset growth and cautious expense management are some of the factors that helped it achieve yet again this constant milestone. Coverage ratio of the bank was 90.83%. With infection ratio improving to 6.12% in 2015 from 6.80% in 2014, the risk management framework has yet again proven to be in sync with market realities.

MCB Bank's stability in the industry is a reflection of its dynamic structure, innovative products and prudent policies. The Bank believes in continuous payback for its shareholders, value added services for its customers and a safe and conducive environment for its employees. Investment in human capital remains an utmost priority.

Pakistan's macro-economic indicators are poised to show improvement with rapid infrastructure development. The successful implementation of projects under the Pak-China Economic Corridor (CPEC) would usher in an era of development and prosperity for the country.

The nation's commitment towards peace and progress has resulted in sharp reduction in incidents of terrorism across the country. We salute the martyrs of Army Public School (APS) Peshawar and Bacha Khan University, Charsaddah and acknowledge the determination of our countrymen during these trying times.

I am privileged to serve as the Chairman of this prestigious Institution that has withstood many challenges and struggles and continues to deliver outstanding results. I would like to thank my board members for their counsel that has guided the bank through a demanding year. Our management has played a critical role in taking up the challenge very effectively. Most of all, I would like to express my heartfelt gratitude to all our employees who have demonstrated a high level of integrity and commitment in their performance. MCB Bank is always there for its customers and together we will encompass every obstacle and will continue to remain "Bank for Life".

Mian Mohammad Mansha
Chairman MCB Bank Limited

PRESIDENT'S REVIEW

Three years ago, we started on a path to make MCB Bank a focused and stronger bank with our 2013-2017 Strategy. At the heart of our strategy was a plan to strengthen our foundation and work through the difficult geopolitical and economic scenario that was obscuring the potential of our Bank and affecting its core working. At the same time, we established a clear policy to only do what is core for the customers we serve, and drive growth by being the best in those areas. In executing our strategy and addressing those issues, we have transformed our Bank.

We built a fortress balance sheet that gives us the platform to accelerate business growth. Our capital is at industry-leading levels, significantly above the requirement of the regulator and our Tier 1 common capital ratio today exceeds the minimum requirement of Basel 3 standards. Our assets, for the first time in MCB Bank's 68 year history, have crossed the Pak Rupee one trillion mark. We continue to prudently manage risk throughout the Bank while maintaining a strong risk management culture. Significant progress has been made in reducing the number and amount of delinquent loans on Bank's balance sheet with continuing improvements in credit quality across major consumer, commercial and corporate portfolios. We have been successful in controlling our expenses for the past many years through prudent spending. As we reduce costs, we are investing in our people and many areas of the bank, including our branch infrastructure and alternate distribution channels covering mobile banking and branchless banking platforms.

Our financial results for the year 2015 show the clear progress we have made. In spite of the challenges posed by changing interest rate environment, we managed to achieve exceptional results with consistent growth in profitability. The Bank earned an unprecedented profit before tax of PKR 42.33 billion; an increase of PKR 5.6 billion (15.3%) over 2014, whereas profit after tax surged to PKR 25.6 billion, depicting a 5% progress. Similarly an exceptional growth of 32% was also registered in Non-Fund Based income to the tune of PKR 171 billion over same period last year. Our deposits, with a 93% concentration in Current Account-Savings Account (CASA) component – unparalleled in the local banking industry, illustrate the loyalty of our customers, earned and retained through providing quality service by our branch network. Trade and Home Remittance businesses also contributed to achieve this splendid growth. Home Remittances alone handled cumulative volume of PKR 214 billion, an impressive advancement of 13%. Our track record of delivering superior returns to all our stakeholders continued this year as well. In comparison with 2014, Net Interest Margin achieved 13.4% growth, with Return on Assets (ROA) and Return on Equity (ROE) of 2.62% and 23.25%, respectively. While we are not yet where we want to be vis-à-vis volumes, MCB has managed to maintain and further strengthen its brand equity. Our results reflect the underlying strength and earning potential of the Bank that I believe will become even more apparent in coming years.



PRESIDENT'S REVIEW

As a leading Pakistani bank, MCB is active throughout Pakistan, UAE and Sri Lanka through its network of 1,257 branches. During 2015 we strengthened our outreach to serve our clients at their doorstep by starting our wholesale operations in Dubai along with adding 24 new local branches and 136 new ATM sites to our expansive network. Another major leap by MCB Bank during 2015 was the incorporation of a wholly owned 1st Islamic banking subsidiary in the history of Pakistan banking industry, namely MCB Islamic Bank Limited, with an authorized share capital of PKR 15 billion. This was in acknowledgement of our customers' desire to satisfy their growing banking needs by valuing their faith in conformity with Shari'ah rulings and to have a full suite of specialized Islamic banking products and services, possible only through a dedicated Islamic bank. In our effort to further strengthen our international footprint, MCB Bank continued to explore investment opportunities in South Asia, Middle East, Africa and Europe. We believe that there are significant opportunities for MCB in the medium to long term across its footprint, and we are well positioned for the future to assist both our retail, corporate and Islamic banking customers in tapping and fully realizing those opportunities in our markets.

Our efforts to improve internal operational environment of MCB Bank were aptly recognized at different forums. Strength of our Bank was also reassured by the Pakistan Credit Rating Agency (PACRA), which maintained its credit ratings at AAA [Triple A] for long term and A1+ [A one plus] for short term. Our performance was acknowledged by various local and international entities. CFA Society Pakistan credited MCB as the "Most Stable Bank of the Year 2014" under its 12th Excellence Awards while FinanceAsia conferred upon MCB the "Best Bank in Pakistan 2015" award. For the third consecutive year, the joint committee of Institute of Chartered Accountants of Pakistan & Institute of Cost and Management Accountants of Pakistan (ICAP/ICMAP) awarded the "Best Corporate Report" award in Financial Sector category to MCB's annual report for 2014. We also achieved first position in the Private Sector Banks category, among all such banks of SAARC countries, in the "South Asian Federation of Accountants (SAFA) Best Presented Annual Report Awards 2014." This is the very first acknowledgement of any financial institution of Pakistan by this prestigious forum. These and many other awards and recognitions encourage us to keep doing what we do and continue to pursue the strategies that have served us and our stakeholders well throughout. We have leading capabilities and expertise that enable us to outdistance the competition and win in the marketplace. We are committed to being better every day for those we serve and for each other as well.

MCB Bank's 2015 results are strong. We are on the right track and we are making progress. MCB is well positioned to benefit from the transformation that is taking place in the banking landscape with low interest rates and intense pressure on margins and volumes on one hand and technology driven exciting developments in new products and services on the other. In response to the way our world has changed we have taken a range of actions. We have overhauled our 2013-2017 Strategy, making it sharper and more focused in relation to the current macroeconomic structure. But there are still challenges ahead and we need to step up our efforts to become faster, more agile and more innovative in what we do if we are to meet our customers' ever-changing expectations. Customers today increasingly believe that they do not need banks per se but need banking. I am proud that our customers value our efforts and choose to do business with us. During the year our total customer base stretched to 6.1 million accounts demonstrating our customers' confidence in their Bank.

We can only be successful if we continuously find ways to be relevant in our customers' daily lives and in fulfilling their banking aspirations. To this end, one particularly exciting area is the growth we see in digital, mobile and branchless banking. The number of MCB Mobile banking customers increased by 43% during the year and we are averaging about 1,000 new mobile subscribers a day. Our branchless initiative, MCB Lite, is all set to make its mark in the coming year, providing its customers the ease of owning a digital wallet. Through these digital initiatives we are aiming to make transactions and shopping safer and easier for our branchless customers. This expansion in our outreach and related transactional convenience to our customers enabled an overall throughput of 49 million transactions worth PKR 348 billion channelized through our various digital platforms in 2015. A similar story unfolded in our Consumer Lending and Wealth Management businesses, where almost all products did record business since last many years. A 47% YoY growth was seen with 5,565

PRESIDENT'S REVIEW

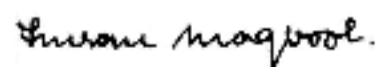
auto loans disbursed during 2015, while 10,647 MCB Credit Cards were issued, translating into a 42% YoY growth. Similarly our Investment Services and Bancassurance businesses set new records with fresh sales of PKR 9.5 billion (26%) and PKR 1.4 billion (15%), respectively.

As we think about what the future holds, with the team we have and the institution we have built, there is good reason to be optimistic and excited about what lies ahead. Pakistan's economic growth remains on track with several energy sector projects in pipeline. Majority of macro-economic fundamentals remained fairly positive during 2015, which continued to contribute to our nascent economic growth and development. Current economic turbulence, commodity price fluctuations, tax reforms, sustained low interest rates, law and order situation, etc., are amidst immense challenges for the economy and the banking sector. However, with the best professional management, growing operational infrastructure coupled with a strong balance sheet, MCB has the capability and the will to prove itself as one of the best banks in the country, delivering what our customers want and fulfilling their needs. Based on our performance during 2015, Credit Suisse, in its latest research on Asia Pacific region for the interested investors, has cited MCB Bank as the best bank in Pakistan and among the 3 best banks in Asia. We are determined to continue to raise the bar on performance and compliance to ensure that 'Bank for Life,' our brand promise, is firmly embedded in the DNA of the Bank.

Owing to their rich experience, rounded exposure and ability to perform under pressure, our people are much sought after by our competition. They are undoubtedly the core asset of our Bank and I acknowledge their hard work and dedication in elevating our Bank to where it is today. We are acutely conscious of the importance of retaining and attracting the best talent. I am of the belief that by creating the best place to work, employees remain loyal to their organization and serve customers in the best possible way, which in turn drives better returns. We are fortunate to have a diverse group of qualified, trained and committed employees who view MCB as a great institution to begin, build and sustain their careers with. I feel humbled to be given the opportunity to not only represent one of the leading banks of Pakistan but also to be a member of this team. We are proud of what we have created together and believe there is no limit to what we can achieve as 'One Bank One Team.'

Our business is based upon trust. Only by acting with integrity and professionalism can we uphold our stakeholders' confidence. At the same time it is our shareholders trust in our capabilities that drives us to go on and aim to achieve new heights. I am greatly indebted to the guidance of our Chairman, Board of Directors, our foreign partners and all staff members who helped in making 2015 yet another banner year for the Bank. With our rock solid energy, restless team work, unwavering unity of purpose and faith in God, I have no doubt that together we will continue to meet the challenging expectations of our shareholders, customers, employees and regulators in the years to come. Our combined dedication, commitment and perseverance as 'One Bank One Team' would drive us to our goal.

In the end it comes down to delivering what our customers need and doing it flawlessly over and over again. The confidence of our customers is our pride and we are passionate to serve them with increased diligence and interest. It also comes down to better connecting as a team and working together to deliver as one Bank. I am proud of MCB and its people that have brought us to where we are today, and I am excited about where we are heading from here.



Imran Maqbool
President & CEO
MCB Bank Limited

ENTITY CREDIT RATING

LONG TERM

AAA

SHORT TERM

A1+

HIGH LIGHTS 2015

PBT
PKR 42.3 Billion
 (+15%)

Net Mark-up
 Income
PKR 49.3 billion
 (+13%)

Non Mark-up
 Income
PKR 17.1 billion
 (+32%)

Investments
PKR 568.8 billion
 (+11%)

Advances (Gross)
PKR 332.6 billion
 (+3%)

Winner of
BCR - 2014
 by ICAP/ICMAP
 (Banking Sector)

Winner of
**Best Presented
 Annual
 Accounts 2014**
 by SAFA
 (Banking Sector)

ROA (2.62%)

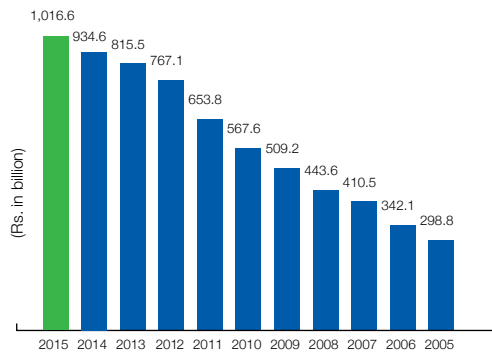
ROE (23.25%)

Market
 Capitalization
PKR 241 billion
 (as on December 31, 2015)

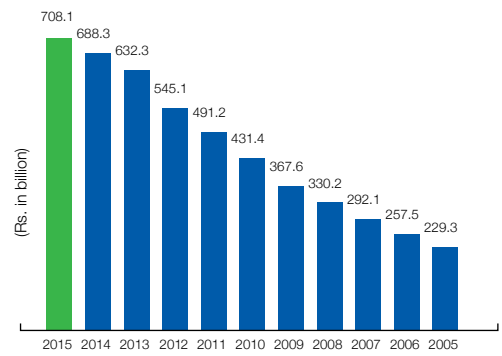
Financial Performance

10 Years Trend (2005 - 2015)

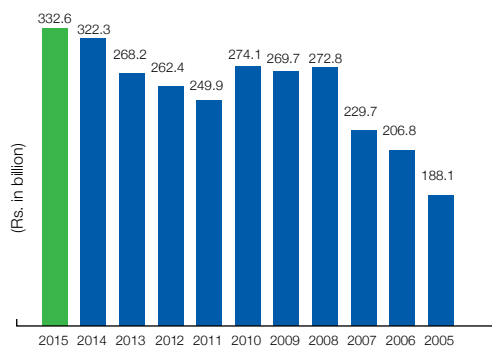
Total Assets
CAGR 13%



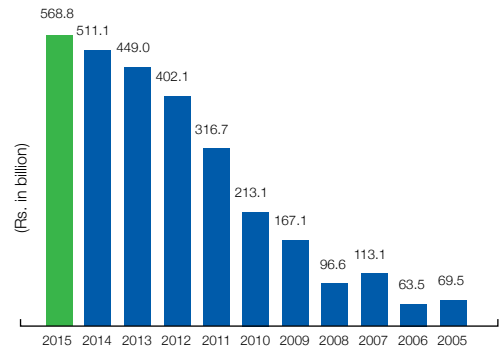
Deposits
CAGR 12%



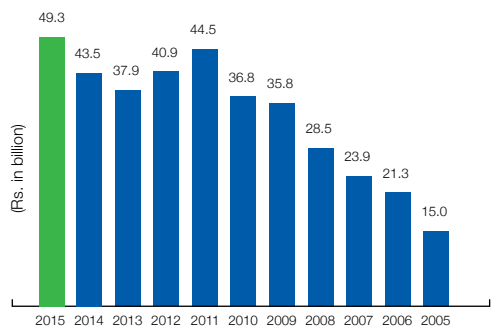
Gross Advances
CAGR 6%



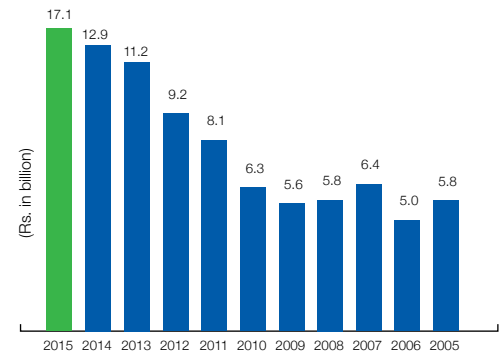
Investments
CAGR 23%



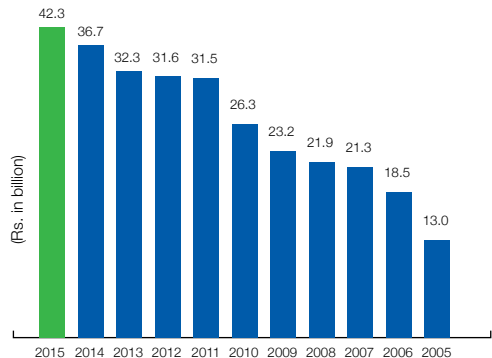
Fund Based Income
CAGR 13%



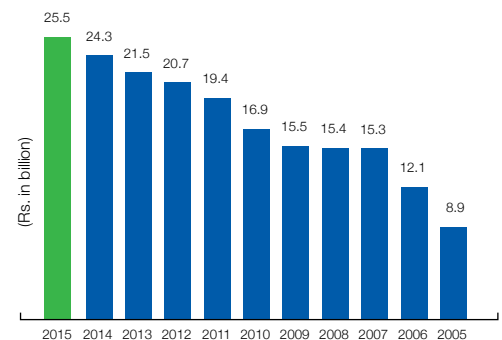
Non Markup Income
CAGR 12%



Profit Before Tax
CAGR 13%



Profit After Tax
CAGR 11%



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	Despite challenging operating environment, MCB Bank posted a remarkable growth in PBT of 15% with PAT growing by 5% over 2014. This was achieved despite the discount rate reduction of 300bps during the year.	The CPI shall remain relevant in future
The Bank aims to deliver sustained payout to its investors.	Higher profitability to pay higher returns to shareholders	Shareholder return	The Bank has paid 160% cash dividend in 2015 (2014: 140%) which is the highest in the banking industry.	The CPI shall remain relevant in future
The Bank aims to increase its share in the domestic deposit pie along with international deposit generation.	Expansion/Increase in deposit base through new products and markets thereby increasing customer base beyond the prevalent organic growth	Deposit generation	The Bank achieved growth of 3% in its deposits portfolio as compared to 2014 with incremental volume of Rs. 20 Billion. CASA base is at an all-time high of 93%. Market share of domestic deposit stood at 7.16% 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> <p>Increased focus on current account and deposit account (CASA) growth</p>	Asset Quality	During the year NPLs of the Bank decreased by Rs. 1.54 billion. The infection ratio has improved from 6.80% as at December 2014 to 6.12% as at December 2015. Higher yielding Government securities portfolio resulted in an increase of 13% in net interest income.	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	Cost to income ratio improved from 37.98% for the year 2014 to 35.00% as at December 2015. Administrative expenses (excluding PF reversal) of the Bank increased by 8% only.	The CPI shall remain relevant in future
To maintain a strong capital base	Healthy equity leading to maintain Strong capital adequacy ratios	Capital ratios	The capital adequacy ratios of the Bank are well above the specified percentages. Bank maintained Tier-1 to total risk weighted assets ratio at 16.77% against requirement of 7.50%.	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 disclosures of 2014

Forward-looking disclosures of Annual Report 2014

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

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

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

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

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

Forward Looking Disclosure

Performance of the Bank against forward-looking disclosures of 2014

Performance of the Bank in 2015

MCB Bank reported Profit Before Tax (PBT) of Rs. 42.333 billion and Profit After Tax (PAT) of Rs. 25.551 billion with an increase of 15% and 5% over 2014, respectively. This was primarily contributed by 13% increase in Net Markup Income and 32% increase in Non-Markup Income.

In 2015, through strategic placements and focused reduction in high cost deposits, spread of the Bank was reported at 5.15% (2014: 5.42%) despite a major reduction of 300 bps in the discount rate. On the cost side, the Bank reported an increase of 8% in administrative expense base (excluding PF reversal) which signifies the deployment of cost efficient techniques.

The total asset base of MCB Bank Limited was reported at Rs. 1.017 trillion signaling a healthy growth of 9% over December 2014. Analysis of the asset mix witnessed a 11% increase in Investments to Rs. 568.803 billion and 3% increase in Gross Advances to Rs. 332.627 billion. The quality of asset base registered continuous improvement as NPLs of the Bank decreased by Rs. 1.539 billion during the year and closed at Rs. 20.369 billion. Coverage ratio of the Bank was reported at 90.83% with infection ratio improving to 6.12% as compared to 6.80% as at December 2014. On the liabilities side, the Bank deposits increased by 3% to Rs. 708.091 billion as on December 31, 2015. On the deposits mix front, current deposits increased by 10% to Rs. 259.818 billion improving the CASA ratio to 93% as compared to 91% as at December 2014.

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.

On the expansion front, our Dubai branch became operational in 2015. The Bank has injected additional equity in "MCB Leasing" Closed Joint Stock Company, Azerbaijan & MCB Sri Lanka Operation during 2015.

On the Islamic business front, The Bank incorporated MCB Islamic Bank Limited (MCBIBL), a wholly owned subsidiary, with an authorized share capital of Rs. 15 Billion in 2014. During the year, the Bank has 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.

MCB Mobile Banking has also continued to grow at a fast pace with an active customer base exceeding 650,000 showcasing an increase of 16% from the year 2014.

With one of the largest ATM networks in the industry, the Bank continued to expand and added 136 new ATMs in 2015 crossing a mega network size of 1,070+ ATMs, ensuring strong footprint and convenience for all its customers nationwide. Another important pillar strengthening the Digital Banking presence is the Merchant Acquiring Business. Point of Sale (POS) terminals is a key element in ensuring MCB's presence in simplifying payments and the POS network grew by more than 50% in 2015.

During 2015, the Bank also played a major role in facilitating the flow of remittances through the banking channels in Pakistan. The Bank handled home remittances in excess of USD 2Bn in 2015 with double digit percentage increase over the previous year.

Detailed analysis covering performance and achievements of respective groups against their targets for 2015 is included in the Director's Report.

Commentary of Six Years' Performance

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

Statement of Financial Position

Total Assets:

The asset base of the Bank has registered a remarkable growth of 12.37% over the last 6 years growing from Rs. 568 billion as at December 31, 2010 to Rs. 1,017 billion as at December 31, 2015 and for the 1st time in history assets of the bank crossed benchmark of PKR 1 trillion. Prime contributors to the said increase have been advances and investments, with investments growing by approximately 22% 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 2015, steps taken in the right direction have paved way for advances growth for the industry, with MCB taking the major share of the said growth. Despite the said growth in advances in 2015, the ADR has dropped from 63.55% in 2010 to 46.98% in 2015.

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 8.95% as at December 31, 2010 which has dropped to 6.12% as at December 31, 2015. The quality of asset has been one of the prime focus areas of the Bank and

the significant recoveries posted in the last few years clearly spell out the efforts that have been directed in this achieving this goal. After registering a decrease of Rs. 1.1 billion, Rs. 2.3 billion and 1.4 billion in 2012, 2013 and 2014 respectively, the NPL base has further contracted by Rs. 1.5 billion in 2015. Over the last six years, NPLs of the Bank peaked in 2010 at Rs. 26.7 billion, following which a downward trajectory can be observed in NPL base. The coverage ratio of the Bank has improved from 79.83% in 2010 to 90.83% in 2015. Moreover, the NPLs classified in "loss" category constitute more than 99% of the NPLs base as at December 31, 2015, 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 22% over the last six years, the investment base of the Bank has grown from Rs. 213 billion in 2010 to Rs. 569 billion in 2015.

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. 708 billion in 2015. 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. 658 billion in 2015; MCB Bank has been able to maintain its share in the domestic industry deposit pie above 7%. This is made possible by service excellence, strategically placed touch points for the customer and transactional convenience provided through a variety of products.

Equity and Dividends

- The paid-up capital of the Bank has grown from Rs. 7.6 billion in 2010 to Rs. 11.1 billion in 2015,

meeting the statutory capital requirements set by the Central Bank.

- The equity base of the Bank is reflective of the outstanding financial results achieved through consistent performance over years. The capital base of the Bank is rated as strong which is substantiated by the reported CAR of 19.00% as at December 31, 2015 against the statutory requirement of 10.25%. The Shareholders' equity has grown significantly from Rs. 69 billion in 2010 to Rs. 113 billion in 2015.
- The Bank has paid 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 Income

- 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 32.51% in 2015 while markup income from investments has increased to 67.15% (2010: 37.07%).
- The regulatory revisions covering minimum deposit rate during the past years period has adversely affected the Bank's net interest income. Gross spread of the Bank has reduced from 67.19% in 2010 to 61.24% in 2015.

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 during the past 6 years.

Operating Expenses & Provisions

- 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. 3.7 billion for the year 2010 which was reduced substantially to Rs. 291 million for the year 2012. For the year 2013, the Bank reversed provisions to the tune of Rs. 2.9 billion and for 2014 provision reversal was attributable to recovery against advances and reversal of provision for equity portfolio amounting to Rs. 1.8 billion while for 2015 provision expense was mainly attributable due to provision charged on equity portfolio of the bank. 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.
- The growth in administrative block of the bank has been nominal considering the inflationary patterns followed over the period of six years and falls within the budgetary limits set. The management has been able to introduce cost effective techniques / methods to exercise control over the administrative expenses. Centralization of various expense heads and

imposition of annual capping have been few of the key initiatives undertaken in this respect. This has enabled the Bank to maintain one of the lowest cost to income ratios in the industry.

Profit before tax and Profit after tax:

- MCB Bank has been able to post outstanding profitability numbers over the period of last six years as substantiated by the highest EPS and remarkable return on asset (ROA) ratio. The annual pre-tax profitability numbers have grown from Rs. 26.3 billion for 2010 to Rs. 42.3 billion for 2015. The aggregate profit before tax for the last six years has crossed Rs. 200 billion.
- The profitability ratios have been one of the best in the banking industry which are reflective of the effective management of the affairs and adoption of prudent strategies.

Other statistics

- The Bank has added over 2 million accounts to its base with the current statistics highlighting accounts base over 6 million.
- With active participation in trade, MCB Bank has been able to improve trade volume in last 6 years which has increased to Rs. 360 billion for imports and Rs. 170 billion for exports.
- The Bank has been able to increase its market share in the home remittance business growing from 9.29% in 2010 to 10.90% in 2015.
- 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 approximately 17,000 policies and customers with premium amount of over Rs. 4 billion.
- MCB Bank launched mobile banking in 2009 with approximately 53K customers reported

by the end of the year. As of 2015, the numbers of mobile customers have grown to approximately 656 K with transaction volume of almost Rs. 15 billion.

- The Bank launched Privilege Banking in 2009 targeting a specific customer base. As of 2015, Privilege Bank proposition serves 3,763 customers.
- MCB Bank has been awarded as winner in banking sector by ICAP and ICMAP for Best Corporate Report Award 5 times in past 6 years. Once we were been runner up in 2011.
- MCB Annual Report 2014 has been honored to receive 1st position in best presented annual accounts award in banking sector by South Asian Federation of Accountants (SAFA). MCB is 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.

Six Years Financial Summary 2010 - 2015

		2015	2014	2013	2012	2011	2010
Profit & Loss account							
Mark-up/ return earned	Rs. Mln	80,532	77,269	65,064	68,356	68,146	54,821
Mark-up/ return expensed	" "	31,210	33,757	27,196	27,500	23,620	17,988
Fund based income	" "	49,322	43,512	37,868	40,856	44,526	36,834
Fee, Commission, brokerage & FX income	" "	11,420	10,235	8,108	7,131	6,373	5,310
Dividend and capital gains	" "	5,694	2,709	3,063	2,022	1,739	956
Total income	" "	66,437	56,456	49,039	50,010	52,639	43,099
Operating expenses	" "	23,405	21,591	19,639	18,077	16,987	13,160
Operating profit before tax and provision	" "	43,032	34,865	29,400	31,933	35,651	29,938
Provisions / (reversals)	" "	698	(1,864)	(2,888)	291	4,168	3,685
Profit before tax	" "	42,333	36,729	32,288	31,642	31,483	26,253
Profit after tax	" "	25,551	24,325	21,495	20,673	19,425	16,873
Cash Dividends*	" "	17,808	15,582	14,166	11,959	10,036	8,743
Bonus shares	" "	-	-	1,012	920	836	760
Statement of Financial Position							
Authorised capital	" "	15,000	15,000	15,000	10,000	10,000	10,000
Paid up capital	" "	11,130	11,130	10,118	9,199	8,362	7,602
Reserves	" "	51,309	48,830	46,601	44,253	42,186	40,163
Unappropriated Profit	" "	50,464	46,948	40,552	35,425	28,724	21,416
Shareholder's equity	" "	112,904	106,908	97,272	88,877	79,273	69,180
Surplus on revaluation of assets - net of tax	" "	24,897	23,196	12,959	13,594	9,887	10,024
Net Assets	" "	137,800	130,104	110,231	102,471	89,160	79,203
Total Assets	" "	1,016,630	934,631	815,508	767,075	653,782	567,553
Earning Assets	" "	887,879	818,676	718,990	663,330	570,362	494,201
Gross Advances	" "	332,627	322,318	268,192	262,392	249,914	274,144
Advances - net of provisions	" "	314,125	303,559	248,243	239,583	227,580	254,552
Non-Performing Loans (NPLs)	" "	20,369	21,908	23,268	25,562	26,665	24,544
Investments	" "	568,803	511,137	449,006	402,069	316,652	213,061
Total Liabilities	" "	878,829	804,527	705,277	664,604	564,622	488,349
Deposits & other accounts	" "	708,091	688,330	632,330	545,061	491,189	431,372
Current & Saving Deposits (CASA)	" "	658,310	626,112	567,728	464,411	399,687	351,298
Borrowings	" "	118,459	59,543	38,543	78,951	39,101	25,685
Interest bearing Liabilities	" "	566,733	511,446	456,348	434,619	362,843	305,902
Contingencies and Commitments	" "	320,056	226,554	265,428	143,803	165,014	136,246
Profitability Ratios:							
Profit before tax ratio	%	52.57%	47.53%	49.63%	46.29%	46.20%	47.89%
Gross Yield on Average Earning Assets	" "	9.44%	10.05%	9.42%	11.08%	12.80%	11.68%
Gross Yield Avg. Earning Assets (incl. dividend & capital gains)	" "	10.11%	10.40%	9.86%	11.42%	13.14%	11.88%
Gross Spread	" "	61.24%	56.31%	58.20%	59.77%	65.34%	67.19%
Non interest income to total income	" "	25.76%	22.93%	22.78%	18.30%	15.41%	14.54%
Return on average equity (ROE)	" "	23.25%	23.83%	23.09%	24.59%	26.17%	25.91%
Return on average assets (ROA)	" "	2.62%	2.78%	2.72%	2.91%	3.18%	3.13%
Return on Capital Employed (ROCE)	" "	23.25%	23.83%	23.09%	24.59%	26.17%	25.91%
Cost to income ratio	" "	33.83%	36.51%	38.15%	34.95%	29.61%	28.25%
Cost to income ratio (excluding pf reversal)	" "	35.00%	37.98%	41.62%	38.81%	33.77%	35.72%
Investment ratios:							
Earnings per share (after tax)**	Rs.	22.96	21.85	19.31	18.57	17.45	15.16
Earnings per share (before tax)**	" "	38.03	33.00	29.01	28.43	28.29	23.59
Breakup value per share (excl. surplus on rev. of assets)**	" "	101.44	96.05	87.39	79.85	71.22	62.15
Net assets per share**	" "	123.81	116.89	99.04	92.06	79.78	71.16
Market Ratios							
Cash Dividend*	%	160%	140%	140%	130%	120%	115%
Bonus Shares Issued	" "	-	-	10.00%	10.00%	10.00%	10.00%
Dividend Yield ratio (based on cash dividend)	" "	7.38%	4.58%	4.98%	6.20%	8.92%	5.03%
Dividend Payout ratio	" "	69.70%	64.06%	70.61%	62.29%	55.97%	56.32%
Price to book value ratio	Times	2.14	3.18	3.22	2.63	1.89	3.68
Price to earning ratio	" "	9.45	13.99	14.56	11.29	7.71	15.08
Dividend cover ratio	" "	1.43	1.56	1.52	1.75	1.94	1.93

Six Years' Financial Summary 2010-2015

		2015	2014	2013	2012	2011	2010
Share Information							
Market value per share - Dec 31	Rs.	216.85	305.65	281.17	209.76	134.60	228.54
High - during the year	" "	338.82	311.00	323.00	216.75	250.48	233.80
Low - during the year	" "	205.34	234.51	182.20	133.00	134.00	173.04
Market Capitalisation	Rs. Mn	241,361	340,198	284,501	192,950	112,557	173,740
Asset Quality and Liquidity ratios:							
Gross Advances to deposits ratio	%	46.98%	46.83%	42.41%	48.14%	50.88%	63.55%
Net Advances to deposits ratio	" "	44.36%	44.10%	39.26%	43.96%	46.33%	59.01%
Investments to deposits ratio	" "	80.33%	74.26%	71.01%	73.77%	64.47%	49.39%
Weighted Average Cost of Deposits	" "	3.36%	4.59%	4.00%	4.45%	4.35%	3.96%
CASA to total deposits	" "	92.97%	90.96%	89.78%	84.74%	81.37%	81.44%
NPLs to Gross advances ratio	" "	6.12%	6.80%	8.68%	9.74%	10.67%	8.95%
Coverage Ratio (specific provision/ NPLs)	" "	87.63%	82.84%	83.59%	87.55%	82.02%	77.13%
Coverage Ratio (total provision/ NPLs)	" "	90.83%	85.62%	85.74%	89.23%	83.76%	79.83%
Earning assets to total assets ratio	" "	87.34%	87.59%	88.16%	86.45%	87.31%	87.08%
Earning assets to interest bearing Liabilities	Times	1.57	1.60	1.58	1.53	1.57	1.62
Deposits to shareholder equity	" "	6.27	6.44	6.50	6.13	6.22	6.24
Assets to Equity	" "	9.00	8.74	8.38	8.63	8.28	8.20
Risk Adequacy							
Tier I Capital	Rs. Mn	106,708	104,083	95,102	86,341	77,030	67,701
Total Eligible Capital	" "	120,854	117,489	101,296	93,526	82,014	72,856
Risk Weighted Assets (RWA)	" "	636,167	575,663	455,189	422,583	376,442	330,135
Tier I to RWA	%	16.77%	18.08%	20.89%	20.43%	20.46%	20.51%
RWA to total assets	" "	62.58%	61.59%	55.82%	55.17%	57.63%	58.17%
Capital Adequacy Ratio	" "	19.00%	20.41%	22.25%	22.13%	21.79%	22.07%
Net Return on Average RWA	" "	4.22%	4.72%	4.90%	5.17%	5.50%	5.06%
Duo Pont Analysis							
Net Operating Margin	%	38.46%	43.09%	43.83%	41.34%	36.90%	39.15%
Asset Utilization	%	6.81%	6.45%	6.20%	7.04%	8.62%	8.01%
Leverage Ratio / Equity Multiplier	Times	8.88	8.57	8.50	8.45	8.23	8.27
Industry Share							
Deposits ^o	%	7.32%	8.25%	8.40%	8.16%	8.36%	8.42%
Advances ^o	" "	6.78%	7.23%	6.59%	6.80%	7.16%	7.85%
Market Capitalisation	" "	17.91%	21.44%	22.96%	23.58%	20.40%	24.10%
Home Remittance	" "	10.90%	10.68%	10.48%	10.52%	9.97%	9.29%
^o based on weekly data released by State Bank of Pakistan							
Consolidated							
Total Assets	Rs. Mn	1,020,979	941,606	821,278	771,458	656,874	570,482
Shareholders' Equity	" "	115,253	110,095	100,165	91,350	81,392	71,228
Net Assets	" "	142,177	136,269	115,463	106,475	92,012	81,999
Profit before tax	" "	42,789	37,354	32,932	32,065	31,322	26,510
Profit after tax	" "	25,035	24,774	21,950	21,153	19,274	16,873
Return on Average Assets	%	2.55%	2.81%	2.76%	2.94%	3.14%	3.12%
Return on Average Equity	" "	22.12%	23.45%	22.80%	24.14%	25.24%	25.12%
Earnings per share**	Rs.	22.38	22.15	19.65	18.76	17.32	15.16
Breakup value per share (excl. surplus on rev. of assets)**	" "	127.74	122.43	103.74	95.66	82.67	73.67
Capital Adequacy Ratio	%	20.07%	20.41%	22.18%	22.16%	21.88%	22.04%
Per Branch							
Gross Advances	Rs. Mn	264.62	261.62	220.37	221.06	213.06	242.18
Deposits	" "	563.32	558.71	519.58	459.19	418.75	381.07
CASA	" "	523.71	508.21	466.50	389.12	340.74	310.33
PBT	" "	33.68	29.81	26.53	26.66	26.84	23.19

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

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

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

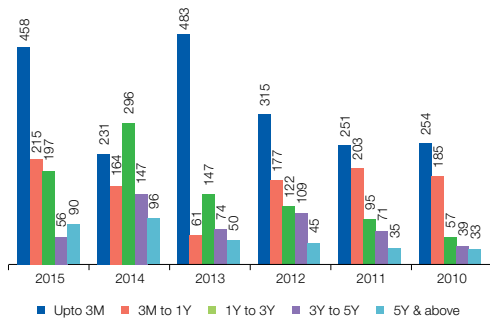
Six Years' Non Financial Summary 2010-2015

		2015	2014	2013	2012	2011	2010
No. of accounts	Absolute	6,097,720	5,648,460	5,299,439	4,931,631	4,687,993	4,239,487
No. of branches	"	1,257	1,232	1,217	1,187	1,173	1,132
No. of permanent employees	"	10,602	10,601	10,372	10,612	10,090	9,583
ATMs							
No. of ATMs	"	1,073	937	789	680	676	493
Total active smart/ debit card issued	"	2,067,273	2,109,268	1,875,258	1,367,858	1,242,271	1,144,403
No. of smart cards/Debit cards issued during the year	"	642,649	488,706	508,241	469,814	319,390	338,534
*Debit cards launched in 2011	"						
Credit Cards							
No. of new issuance	"	10,647	7,505	7,187	3,261	2,846	2,845
No. of customers	"	59,343	55,180	53,460	68,075	68,515	69,503
Total spend (transaction volume)	Rs. Mln	5,079	4,843	4,306	4,005	4,140	4,386
Mobile Banking							
No. of customers	Absolute	656,485	566,846	542,449	292,756	149,057	105,372
No. of transactions - financial	"	1,377,762	1,139,634	906,522	704,008	501,876	437,870
No. of transactions - non-financial	"	3,365,913	3,097,579	2,996,584	2,673,556	2,139,421	1,857,001
Volume of transactions	Rs. Mln	14,842	12,258	10,484	8,516	5,647	3,104
Bancassurance							
No. of customers	Absolute	17,142	15,695	14,714	10,769	7,835	5,644
No. of policies	"	17,189	16,223	15,481	11,001	8,060	5,812
Bancassurance Premium	Rs. Mln	4,193	3,411	2,837	1,888	1,160	683
Bancassurance Revenue	Rs. Mln	768	565	723	474	385	275
Privilege Banking							
No. of accounts	Absolute	4,383	3,615	2,833	2,372	1,988	1,430
No. of customers	"	3,763	3,118	2,389	1,872	1,494	1,048
Trade							
Imports - volume	Rs. Mln	359,860	414,941	420,964	326,120	341,348	280,392
Exports - volume	"	170,032	171,072	208,640	161,776	149,603	121,870
Market share of total market trade(Foreign Trade)	%	6.37%	6.91%	7.03%	6.52%	7.07%	6.98%
Home Remittance							
Volume of home remittance - MCB	USD Mln	2,096	1,819	1,529	1,470	1,242	898
Volume of home remittance - MCB	Rs. Mln	213,755	184,130	154,656	137,376	106,791	76,485
Home Remittance MCB Market Share	%	10.90%	10.68%	10.48%	10.52%	9.97%	9.29%

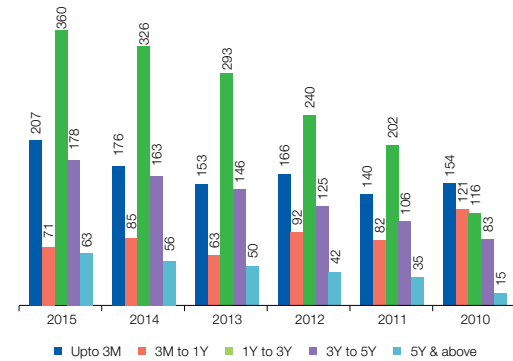
Six Years' Summary of Concentration & Maturities

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

Maturities of Assets (2010-2015)
(Rs. in Billion)

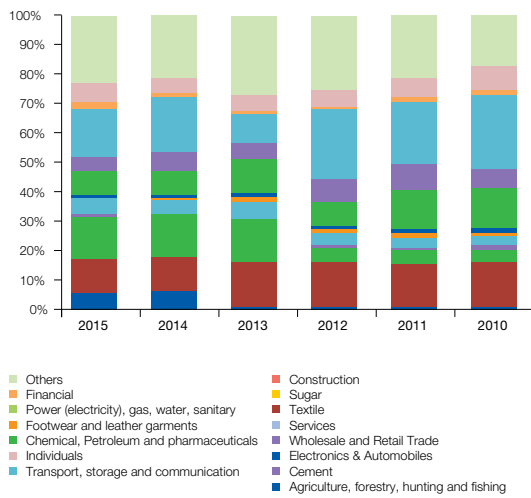


Maturities of Liabilities (2010-2015)
(Rs. in Billion)

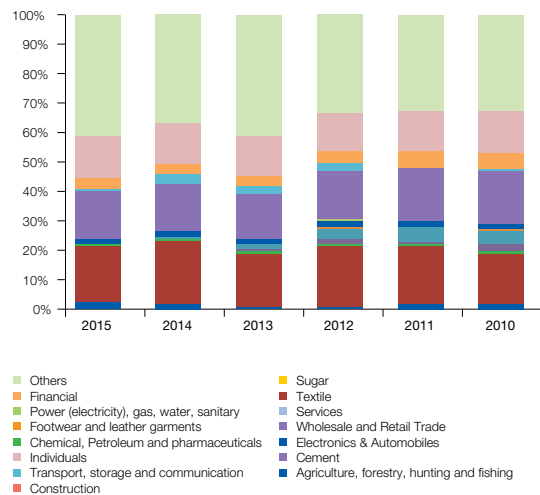


Concentration of Advances, NPLs, Deposits and Off-Balance Sheet Items

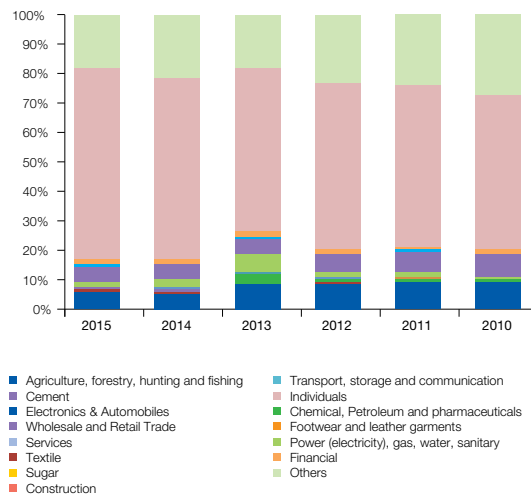
Gross Advances (2010-2015)



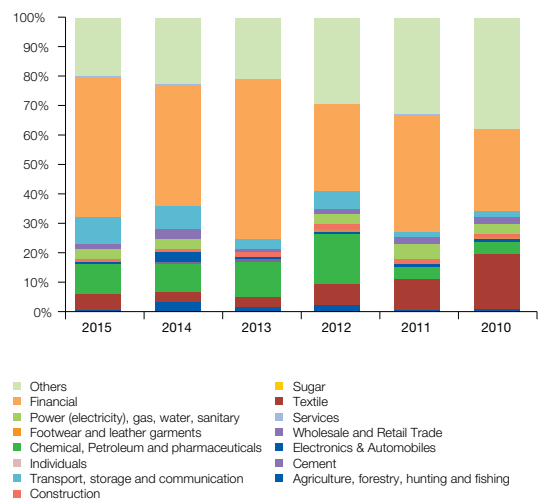
Classified Advances (2010-2015)



Deposits (2010-2015)



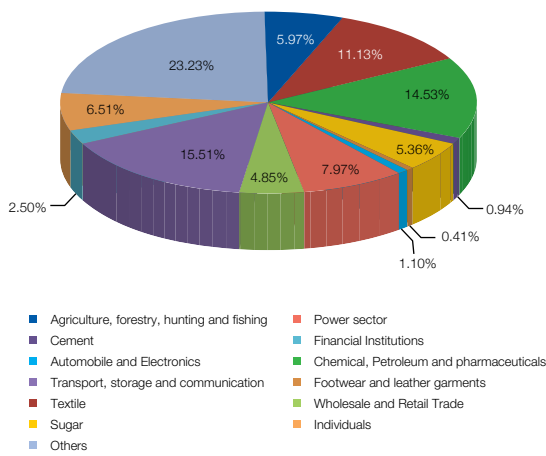
Off Balance Sheet Items (2010-2015)



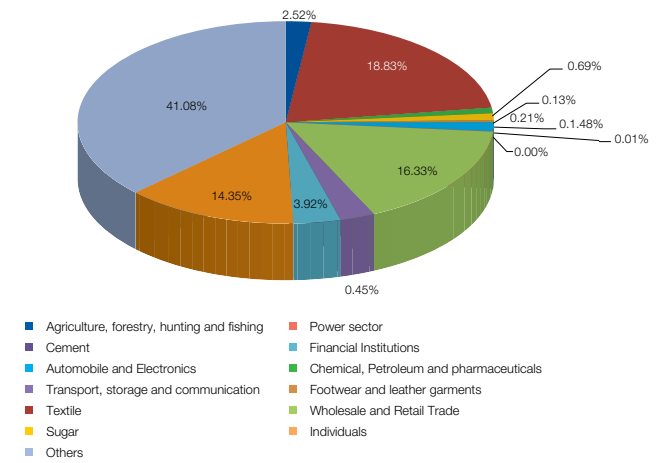
Concentration of Advances, NPLs, Deposits & Off-Balance Sheet Items

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	19,859	6%	-7%	514	3%	19%	40,225	6%	9%	2,527	1%	-65%
Textile	37,016	11%	0%	3,835	19%	-15%	5,094	1%	58%	17,324	5%	101%
Chemical, Petroleum and pharmaceuticals	48,336	15%	4%	141	1%	-27%	5,248	1%	34%	31,375	10%	46%
Cement	3,111	1%	67%	-	-	-	760	-	10%	1,082	0%	-26%
Sugar	17,838	5%	13%	26	0%	-89%	2,456	0%	11%	1,274	0%	-80%
Footwear and leather garments	1,357	0%	45%	43	0%	-42%	250	0%	-31%	410	0%	-8%
Automobiles and Electronics	3,644	1%	23%	301	1%	-5%	2,933	0%	9%	3,139	1%	41%
Power sector	26,498	8%	7%	2	0%	-	14,531	2%	-35%	10,926	3%	58%
Wholesale and Retail Trade	16,131	5%	-12%	3,327	16%	-9%	33,961	5%	6%	6,085	2%	-30%
Transport, storage and communication	51,602	16%	-17%	91	0%	-85%	3,352	0%	28%	29,643	9%	64%
Financial Institutions	8,313	3%	56%	799	4%	-1%	12,351	2%	55%	151,148	47%	63%
Individuals	21,638	7%	51%	2,924	14%	0%	457,356	65%	7%	2,256	1%	204%
Others	77,283	23%	10%	8,368	41%	3%	129,574	18%	-12%	62,865	20%	23%
Total	332,627	100%	3%	20,369	100%	-7%	708,091	100%	3%	320,056	100%	41%

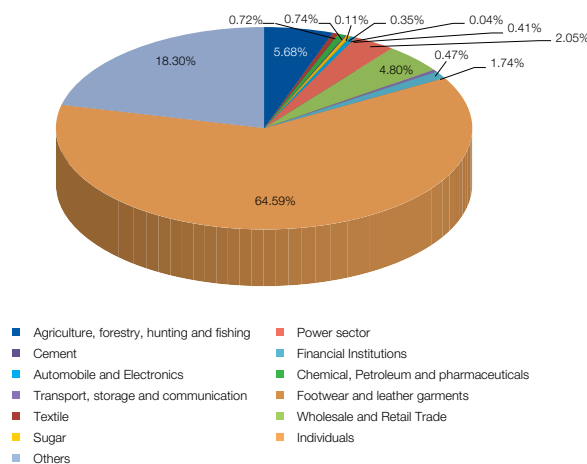
Advances (Gross)



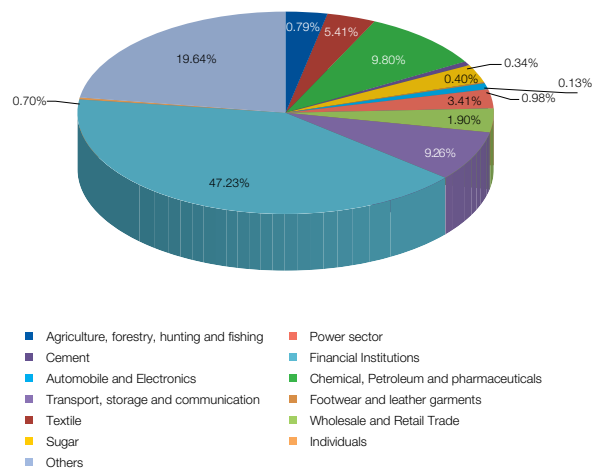
Classified Advances



Deposits



Off Balance Sheet Items



Maturities of Assets & Liabilities

(Rs. in Millions)

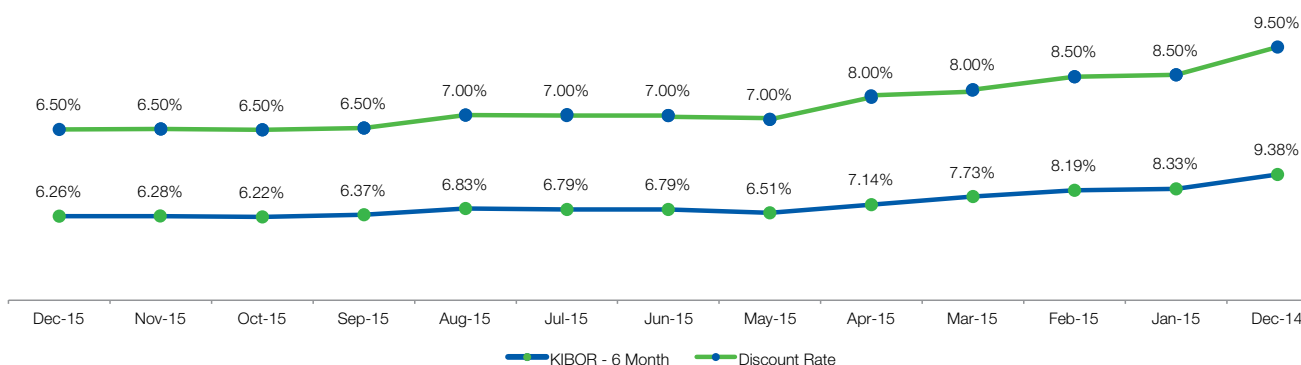
	Total	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
Assets						
Cash and balances with treasury banks	61,209	61,209	-	-	-	-
Balances with other banks	3,682	3,682	-	-	-	-
Lendings to financial institutions	5,132	2,868	2,265	-	-	-
Investments - net	568,803	228,610	138,480	129,055	15,374	57,284
Advances - net	314,125	140,387	68,787	63,367	29,228	12,356
Operating fixed assets	32,433	605	1,814	4,837	4,837	20,341
Deferred tax assets	436	13	38	100	100	185
Other assets - net	31,246	20,682	3,771	-	6,793	-
	1,017,066	458,055	215,154	197,359	56,332	90,166
Liabilities						
Bills payable	11,975	11,975	-	-	-	-
Borrowings	118,459	93,904	22,107	2,449	-	-
Deposits and other accounts	708,091	85,521	39,365	350,064	174,914	58,226
Deferred tax liabilities	11,813	68	1,494	4,011	2,706	3,534
Other liabilities	28,927	16,020	7,772	3,319	695	1,121
	879,265	207,489	70,737	359,843	178,315	62,881

*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

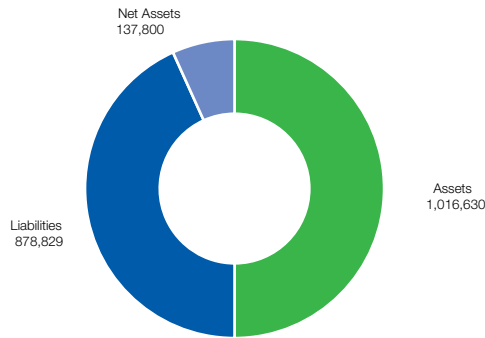
	2015			2014		
	Avg. Vol (Mln)	Effective Interest Rate %	Interest (Mln)	Avg. Vol (Mln)	Effective Interest Rate %	Interest (Mln)
Interest Earning Assets						
Lendings to Financial Institutions	3,244	5.94	193	5,292	9.10	481
Gross Advances (excluding NPLs)	298,114	8.78	26,184	267,161	10.83	28,922
Gross Investments (excluding equity investments)	543,940	9.94	54,076	435,607	10.98	47,835
Interest Bearing Liabilities						
Deposits (excl. current deposits)	461,669	5.07	23,425	427,870	7.09	30,341
Borrowings	113,361	6.34	7,191	40,051	6.97	2,790

Discount Rate & KIBOR - 6 months

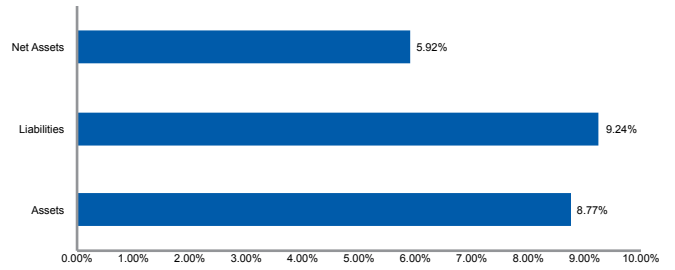


Graphical Presentation of Financial Statements

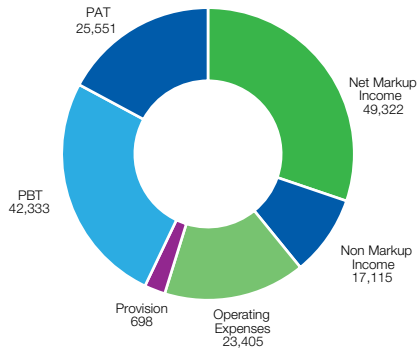
Statement of Financial Position
(Rs. in Million)



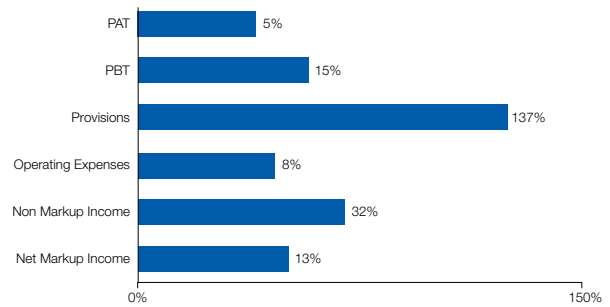
Variance from YE 14



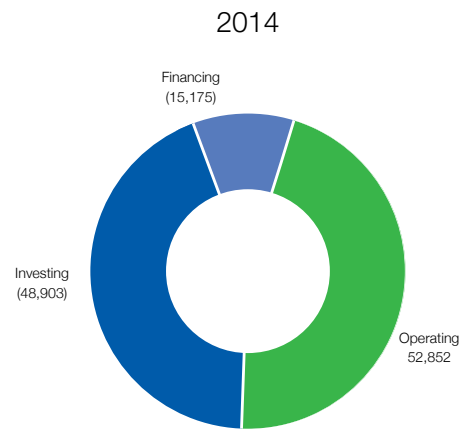
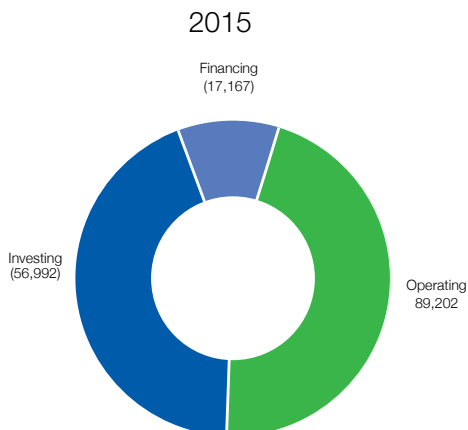
Profit and Loss
(Rs. in Million)



Variance from YE 14



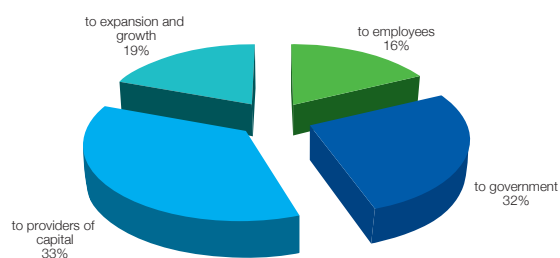
Cash Flows
(Rs. in Million)



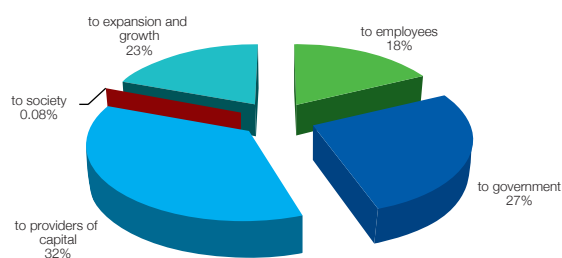
Statement of Value Added

	2015		2014	
	PKR Mln	%	PKR Mln	%
Value Added				
Net interest income	49,322		43,512	
Non interest income	17,115		12,944	
Operating expenses excluding staff costs, depreciation, amortization and WWF	(11,128)		(10,149)	
Provision against advances, investments & others	(698)		1,864	
Value added available for distribution	54,610		48,171	
Distribution of value added:				
To employees				
Remuneration, provident fund and other benefits	9,788	17.92%	9,414	19.54%
Pension fund reversal	(776)	-1.42%	(832)	-1.73%
	9,012	16.50%	8,583	17.82%
To government				
Worker welfare fund	847	1.55%	735	1.52%
Income tax	16,782	30.73%	12,405	25.75%
	17,629	32.28%	13,139	27.28%
To providers of capital				
Cash dividends to shareholders	17,808	32.61%	15,582	32.35%
To Society				
Donations	-	-	40	0.08%
To expansion and growth				
Depreciation	2,037	3.73%	1,724	3.58%
Amortization	381	0.70%	360	0.75%
Retained earnings	7,742	14.18%	8,743	18.15%
	10,160	18.61%	10,827	22.48%
	54,610	100%	48,171	100%

2015



2014



Summary of Cash Flows

	(Rs. in Millions)					
	2015	2014	2013	2012	2011	2010
Cash flows from operating activities	89,202	52,852	69,725	96,701	124,460	58,701
Cash flows from investing activities	(56,992)	(48,903)	(54,177)	(82,369)	(105,805)	(48,123)
Cash flows from financing activities	(17,167)	(15,175)	(12,673)	(11,815)	(9,785)	(8,568)
Cash and cash equivalents at beginning of the year	49,427	60,857	57,783	55,293	46,886	44,785
Cash and cash equivalents at end of the year	64,394	49,427	60,857	57,783	55,293	46,886

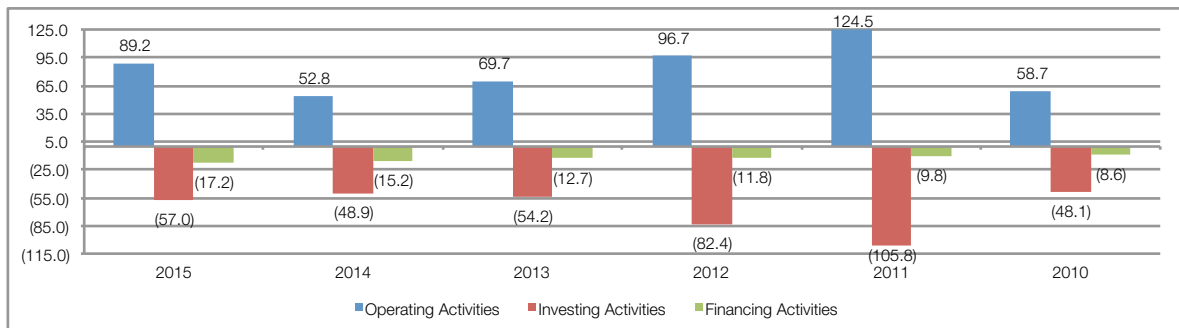
Commentary on Cash Flow Statement:

From an operational perspective, the cash flow activities present a different layout for the respective year. Net cash inflow from operating activities in 2015 is Rs. 89.2 billion which was Rs. 58.7 billion in 2010. 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 during past 6 years as advances have shown steady growth over 6 years.

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. 75 billion has been paid to shareholders. MCB has the highest cash dividend per share in the industry.

Total cash outflow from investing activities was at the highest level in 2011 amounting to Rs. 105.8 billion. Cash outflow



Cash Flow Statement

Direct Method

(Rs. in Millions)

	2015	2014
Cash flows from operating activities		
Mark-up / return / interest and commission receipts	99,882	75,739
Mark-up / return / interest payments	(33,975)	(25,680)
Payments to employees, suppliers and others	(20,703)	(20,113)
	45,204	29,946
(Increase) / decrease in operating assets		
Lendings to financial institutions	(3,714)	(194)
Net investments in 'held for trading' securities	(315)	(52)
Advances - net	(10,277)	(54,223)
Other assets	286	1,234
	(14,020)	(53,235)
Increase / (decrease) in operating liabilities		
Bills payable	(4,652)	6,489
Borrowings	58,762	21,284
Deposits and other accounts	19,762	55,999
Other liabilities	98	1,404
	73,970	85,176
	105,154	61,887
Income tax paid	(15,952)	(9,035)
Net cash flows from operating activities	89,202	52,852
Cash flows from investing activities		
Net investments in 'available for sale' securities	(38,730)	(44,716)
Net investments in 'held to maturity' securities	(5,916)	(598)
Investment in subsidiary companies	(10,269)	-
Proceeds from divestment in associate	275	-
Dividends received	1,263	1,061
Investments in operating fixed assets	(3,862)	(4,757)
Sale proceeds of property and equipment disposed off	248	107
Net cash flows from investing activities	(56,992)	(48,903)
Cash flows from financing activities		
Dividend paid	(17,167)	(15,175)
Net cash flows from financing activities	(17,167)	(15,175)
Exchange differences on translation of the net investment in foreign branches	(76)	(204)
Increase in cash and cash equivalents	14,967	(11,430)
Cash and cash equivalents at beginning of the year	49,128	61,372
Effects of exchange rate changes on cash and cash equivalents	299	(515)
	49,427	60,857
Cash and cash equivalents at end of the year	64,394	49,427

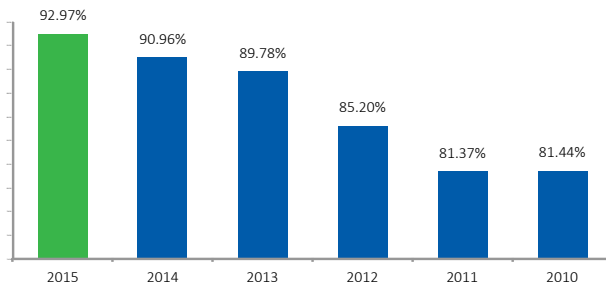
Cash flow statement in annual financial statements is required to prepare in line with the format prescribed by State Bank of Pakistan under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements'.

Deposits & Advances

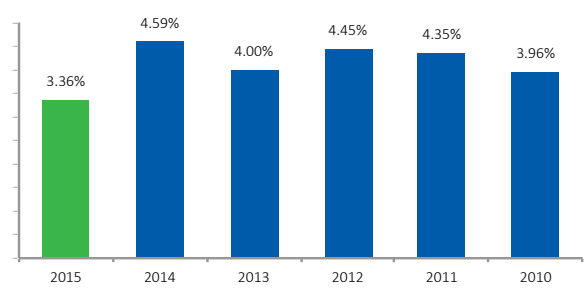
(Rs. in Billion)

	Groupwise Deposits				Groupwise Advances			
	2015	2014	Variance		2015	2014	Variance	
			Amount	%			Amount	%
Commercial	648.9	638.0	10.9	1.71%	79.6	79.5	0.0	0.03%
Corporate	20.7	24.0	-3.3	-13.67%	207.2	197.3	9.9	5.04%
Consumer	11.8	7.0	4.9	69.47%	11.8	9.3	2.5	26.25%
Islamic	11.3	11.0	0.3	2.72%	10.1	13.9	-3.8	-27.08%
Others	15.4	8.4	7.0	83.42%	23.9	22.3	1.7	7.42%
Total	708.1	688.3	19.8	2.87%	332.6	322.3	10.3	3.20%

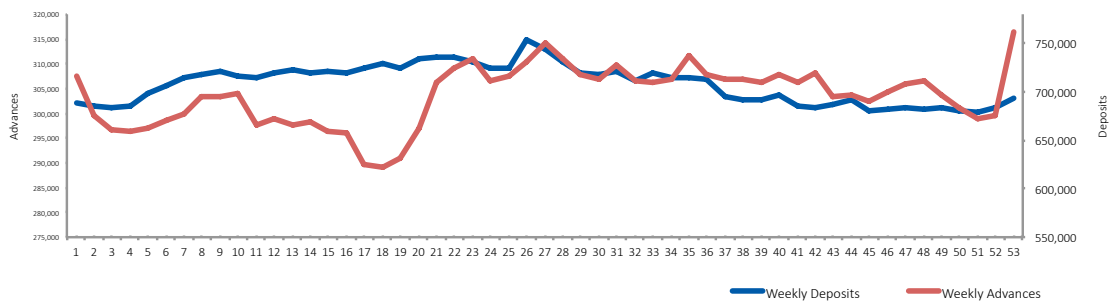
CASA to Total Deposit (2010-2015)
%



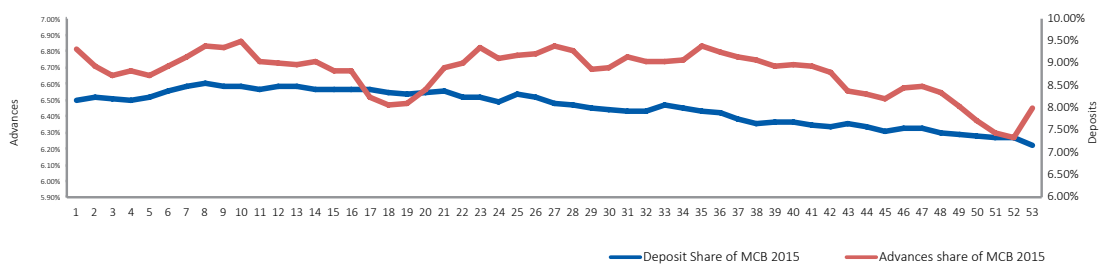
Weighted Average Cost of Deposits (2010-2015)
%



Weekly Trend of MCB Deposits and Advances - 2015



MCB's Industry share in Deposits and Advances - 2015



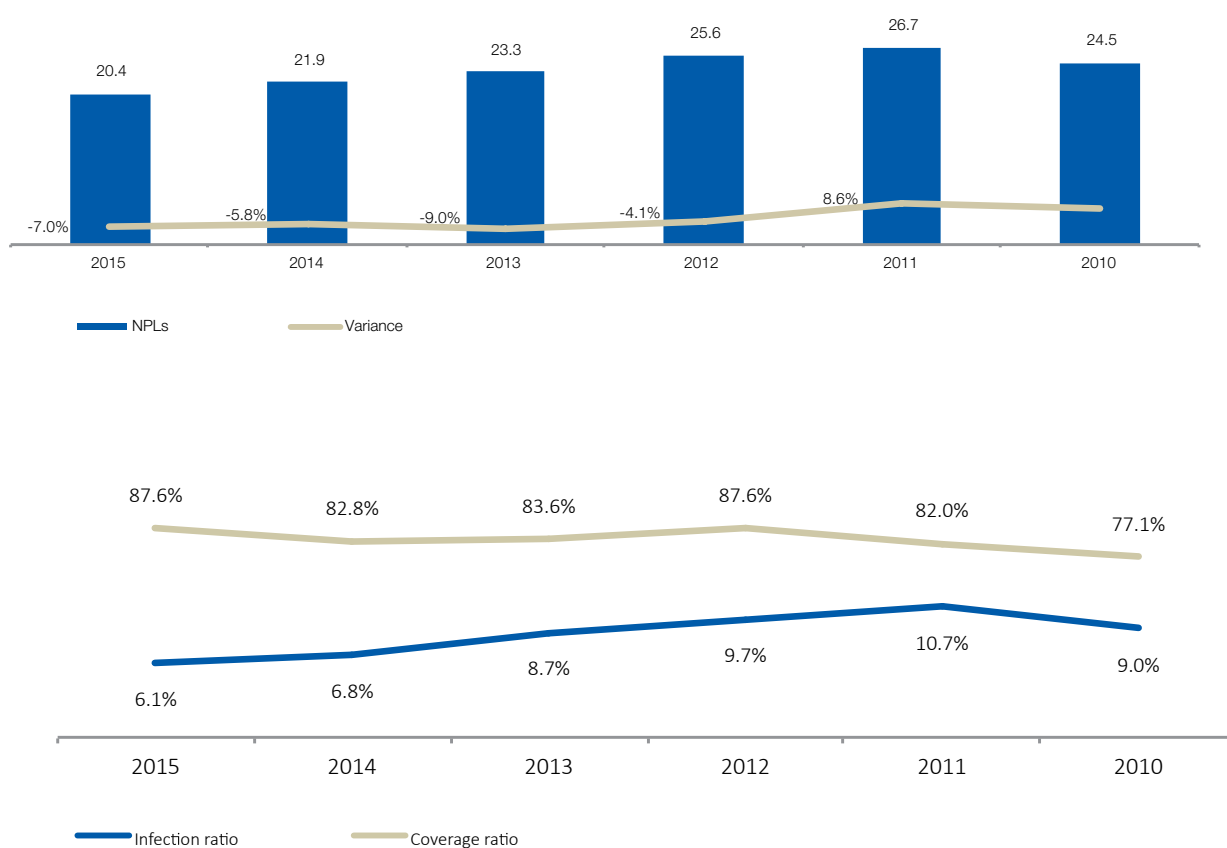
Non-Performing Loans

(Rs. in Millions)

	2015		2014		Variance		2015 Coverage
	NPLs	Provision	NPLs	Provision	NPLs	Provision	
Categorywise							
Substandard	-	-	285	62	-100%	-100%	-
Doubtful	46	23	874	437	-95%	-95%	50%
Loss	20,323	17,826	20,749	17,651	-2%	1%	88%*
Total	20,369	17,849	21,908	18,149	-7%	-2%	88%
Groupwise							
Commercial	2,303	2,303	2,595	2,416	-11%	-5%	100%
Corporate	3,458	3,458	4,474	3,412	-23%	1%	100%
Consumer	2,094	2,080	1,981	1,941	6%	7%	99%
Islamic	1	1	44	11	-97%	-90%	100%
Others	12,514	10,007	12,814	10,369	-2%	-3%	80%
Total	20,369	17,849	21,908	18,149	-7%	-2%	88%

*Liquid Securities benefit has been taken.

NPLs and Variance (2010-2015)



Coverage ratio = Specific provision / NPLs

INVESTMENTS

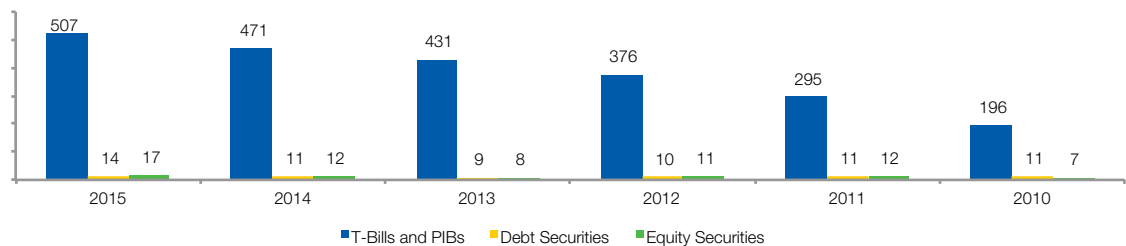
Top 10 Listed Equity Holdings as on December 31, 2015

Company Name	Total Shares / units (number)	Book Value (Rs. Mln)	Market Value (Rs. Mln)
Sui Northern Gas Pipelines Limited	42,194,789	1,688	1,014
Fauji Fertilizer Company Limited	10,327,100	1,195	1,218
Kot Addu Power Company	11,921,500	1,037	966
Pakistan Oilfields Limited	1,742,895	664	467
United Bank Limited	3,820,907	549	592
Allied Bank Limited	4,825,400	544	455
Engro Fertilizers Limited	5,938,000	507	500
Saif Power Limited	14,010,500	502	459
Bank Alfalah Limited	16,816,000	500	485
National Bank of Pakistan	6,936,000	487	375

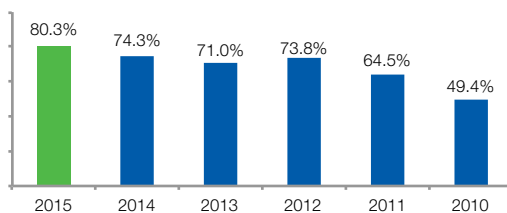
Investment in Associates and Subsidiaries

Company Name	MCB Holding	Shares held (numbers)	Book Value (Rs. Mln)
Associates			
Adamjee Insurance Company Limited	27.59%	96,571,924	893.81
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

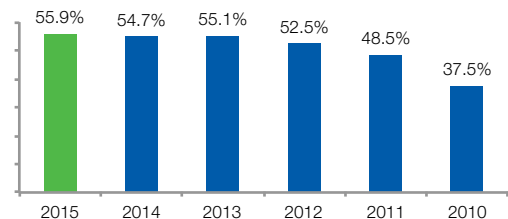
Category of Investments - Cost (2010-2015)
(Rs. in Billion)



Investments to Deposits Ratio (2010-2015)



Investments to Total Assets (2010-2015)

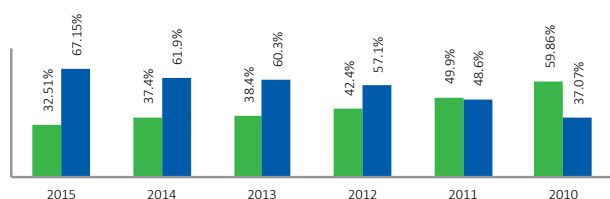


Markup and Non Markup Income

(Rs. in Millions)

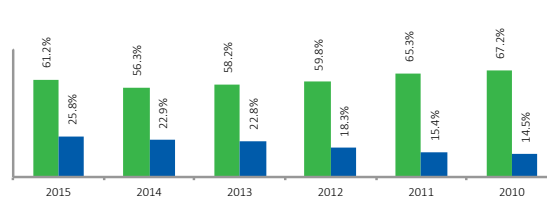
	2015	2014	2013	2012	2011	2010
Markup Income						
Loans and advances	26,184	28,922	24,990	29,002	33,985	32,816
Investments	54,076	47,835	39,233	39,034	33,120	20,320
Deposits with financial institutions	79	31	95	40	12	16
Securities purchased under resale agreements	164	448	732	257	958	1,564
Money at call	13	33	14	23	72	105
Bai Muajjal	16	-	-	-	-	-
	80,532	77,269	65,064	68,356	68,146	54,821
Markup Expense						
Deposits	23,425	30,341	23,561	23,043	20,083	15,806
Securities under repurchase agreements	5,289	1,092	1,706	2,628	1,575	623
Other short-term borrowings	1,901	1,698	1,108	1,154	1,211	902
Discount, Commission and brokerage	487	499	534	512	662	554
Others	108	127	288	164	89	103
	31,210	33,757	27,196	27,500	23,620	17,988
Net Markup Income	49,322	43,512	37,868	40,856	44,526	36,833
Non Markup Income						
Fee, Commission & Brokerage Income	8,383	7,225	6,741	5,934	4,921	4,130
Dividend Income	1,267	1,061	933	1,198	1,003	544
Income from dealing in foreign currency	950	1,443	917	823	921	632
Gain on sale of securities	4,428	1,648	2,130	825	736	412
Other Income	2,088	1,566	450	374	531	548
	17,115	12,944	11,171	9,153	8,112	6,266

Markup Income from Advances and Investments
(2010 - 2015)



■ Income on Advances to Gross Markup Income
■ Income on Investments to Gross Markup Income

Income Composition
(2010 - 2015)



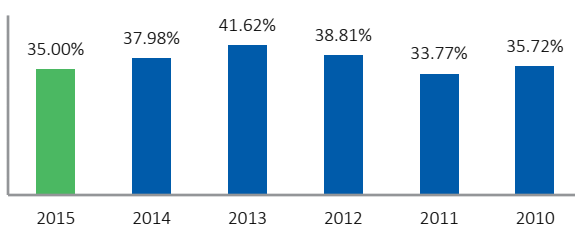
■ Net Markup Income to Gross Markup
■ Non-Markup Income to Net Revenue

Administrative Expenses

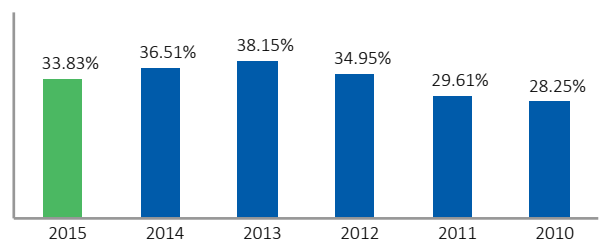
(Rs. in Millions)

	2015	2014	2013	2012	2011	2010
Salaries and allowances	9,224	8,755	8,640	8,434	8,307	7,218
Voluntary Separation Scheme	-	26	1,058	-	-	-
Contributions to defined contribution plan - provident fund	235	215	198	188	177	159
Post retirement medical benefits	167	157	188	187	170	136
Employees' contributory benevolent scheme	20	28	55	40	51	71
Employees' compensated absences	142	233	147	98	181	191
	9,788	9,414	10,286	8,948	8,886	7,775
Others Administrative expenses						
Non-executive directors' fees	35	34	32	33	36	32
Rent, taxes, insurance, electricity	2,930	2,733	2,555	1,965	1,695	1,569
Legal and professional charges	216	282	272	177	187	222
Communications	1,226	965	862	932	936	842
Repairs and maintenance	1,674	1,499	1,103	1,208	949	681
Stationery and printing	615	561	503	402	385	363
Advertisement and publicity	362	315	119	393	427	232
Cash transportation charges	548	550	482	461	450	403
Instrument clearing charges	143	140	125	187	198	166
Donations	-	40	25	31	84	15
Auditors' remuneration	39	34	32	21	25	15
Depreciation	2,037	1,724	1,541	1,379	1,115	1,012
Amortization of intangible asset	381	360	260	260	250	160
Travelling, conveyance and fuel	329	315	214	745	728	684
Subscription	16	18	20	18	28	26
Entertainment	178	160	118	110	102	69
Training Expenses	46	35	41	30	46	58
Petty Capital items	59	46	33	35	56	64
Card Related Expenses	348	298	238	147	129	129
Others	2,282	1,918	1,551	1,926	1,063	877
Total other administrative expenses	13,464	12,029	10,126	10,462	8,888	7,619
Administrative expenses before PF reversal	23,252	21,443	20,411	19,410	17,774	15,394
Pension fund reversal	(776)	(832)	(1,701)	(1,933)	(2,189)	(3,220)
Total Administrative expenses	22,476	20,612	18,710	17,477	15,585	12,174

Cost to Income Ratio
(excluding pension fund reversal)



Cost to Income Ratio



Six Years' Vertical Analysis

Statement of Financial Position / Profit & Loss

	2015		2014		2013		2012		2011		2010	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	61,209	6%	46,754	5%	59,946	7%	57,420	7%	53,123	8%	45,407	8%
Balances with other banks	3,682	0%	3,016	0%	1,537	0%	1,192	0%	2,281	0%	1,479	0.3%
Lendings to financial institutions	5,132	1%	1,418	0%	1,225	0%	1,551	0%	955	0%	4,402	1%
Investments	568,803	56%	511,137	55%	449,006	55%	402,069	52%	316,652	48%	213,061	38%
Advances	314,125	31%	303,559	32%	248,243	30%	239,583	31%	227,580	35%	254,552	45%
Operating fixed assets	32,433	3%	31,193	3%	28,595	4%	23,738	3%	22,008	3%	20,948	4%
Other assets	31,246	3%	37,555	4%	26,956	3%	41,520	5%	31,184	5%	27,706	5%
	1,016,630	100%	934,631	100%	815,508	100%	767,075	100%	653,782	100%	567,553	100%
Liabilities												
Bills payable	11,975	1%	16,628	2%	10,139	1%	9,896	1%	9,467	1%	10,266	2%
Borrowings	118,459	12%	59,543	6%	38,543	5%	78,951	10%	39,101	6%	25,685	5%
Deposits	708,091	70%	688,330	74%	632,330	78%	545,061	71%	491,189	75%	431,372	76%
Deferred tax liabilities	11,377	1%	10,397	1%	4,201	1%	9,530	1%	6,488	1%	4,934	1%
Other liabilities	28,927	3%	29,630	3%	20,064	2%	21,166	3%	18,378	3%	16,092	3%
	878,829	86%	804,527	86%	705,277	86%	664,604	87%	564,622	86%	488,349	86%
Net Assets	137,800	14%	130,104	14%	110,231	14%	102,471	13%	89,160	14%	79,204	14%
Represented by												
Share capital	11,130	1%	11,130	1%	10,118	1%	9,199	1%	8,362	1.28%	7,602	1%
Reserves	51,309	5%	48,830	5%	46,601	6%	44,253	5.8%	42,186	6.45%	40,163	7%
Unappropriated profit	50,464	5%	46,948	5%	40,552	5%	35,425	4.6%	28,724	4.39%	21,416	4%
Surplus on revaluation of assets - net of tax	24,897	2%	23,196	2%	12,959	2%	13,594	1.8%	9,887	1.51%	10,024	2%
	137,800	14%	130,104	14%	110,231	14%	102,471	13%	89,160	14%	79,204	14%
Profit & Loss Account												
Mark-up earned	80,532	82%	77,269	86%	65,064	85%	68,356	88%	68,147	89%	54,821	90%
Mark-up expensed	(31,210)	-32%	(33,757)	-37%	(27,196)	-36%	(27,500)	-35%	(23,620)	-31%	(17,988)	-29%
Net mark-up income	49,322	51%	43,512	48%	37,868	50%	40,856	53%	44,526	58%	36,834	60%
Provisions & write off	(698)	-1%	1,864	2%	2,888	4%	(291)	0%	(4,168)	-5%	(3,685)	-6%
Net mark-up income after provisions	48,623	50%	45,376	50%	40,756	53%	40,565	52%	40,358	53%	33,148	54%
Non-mark-up income	17,115	18%	12,944	14%	11,171	15%	9,153	12%	8,112	11%	6,265	10%
Non-mark-up expenses	(23,405)	-24%	(21,591)	-24%	(19,639)	-26%	(18,077)	-23%	(16,987)	-22%	(13,160)	-22%
Profit before taxation	42,333	43%	36,729	41%	32,288	42%	31,642	41%	31,483	41%	26,253	43%
Taxation	(16,782)	-17%	(12,405)	-14%	(10,793)	-14%	(10,969)	-14%	(12,058)	-16%	(9,380)	-15%
Profit after taxation	25,551	26%	24,325	27%	21,495	28%	20,673	27%	19,425	25%	16,873	28%

Six Years' Horizontal Analysis

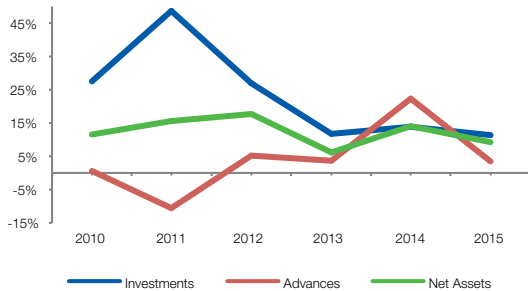
Statement of Financial Position / Profit & Loss

	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12	2012	12 Vs 11	2011	11 Vs 10	2010	10 Vs 09
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
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Commentary on Six Years Horizontal and Vertical Analysis:

Horizontal Analyses

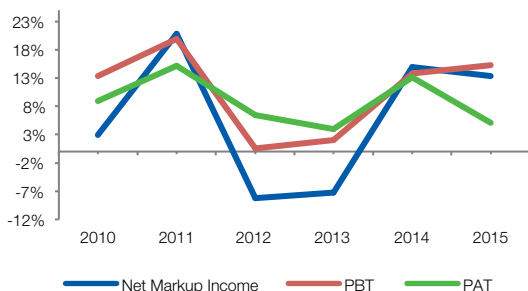
Asset base of the bank has increased considerably over the past 6 years; highest increase was observed in 2012 where assets increased by 17%, mainly contributed by investments in terms of volume. On an annualized basis, the asset base has recorded an increase of 12% over the last six years. Highest increase 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. 431 billion in 2010 to Rs. 708 billion in 2015 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.

On to Profit and Loss side, gross markup earned has posted an average increase of 8% 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 12% 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 22%, whereas non-markup expense has grown by an average of 12% which is justifiable on account of growing operational infrastructure and inflationary patterns. Provision against advances and investments has been on a declining trend, apart from the year 2015 reversals have been made in 2014 and 2013 on account of our prudent risk management framework and aggressive provisioning strategy. Despite have charged provision expense in last quarter of 2015, provision of above Rs. 4 billion have been reversed in last 4 years. Profit Before Tax (PBT) and Profit After Tax (PAT) have increased by an average of 10% and 9%, respectively, marking MCB as one of the most profitable bank in the industry and highest RoA in the region.

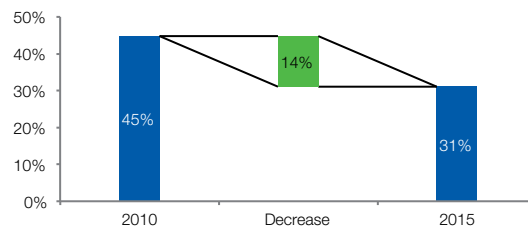


Vertical Analyses

Vertical analysis depicts higher concentration levels of investments and advances in the asset base of the Bank. The advances base of

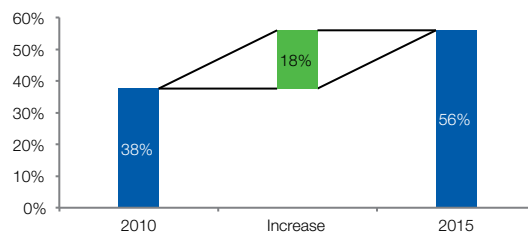
the Bank has posted moderate growth over the last few years due to the lack of credit opportunities and intense competition. This has resulted in the decrease of advances concentration in the asset mix from 45% in 2010 to 31% in 2015.

Advances Concentration Level



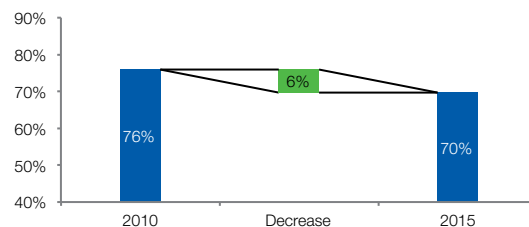
During the past few years, government credit demands have increased and bank has investment its excess cash in risk free government securities i.e. Market Treasury Bills and Pakistan Investment Bonds. Hence investment concentration level had increased from 38% in 2010 to 56% in 2015.

Investments Concentration Level



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. Concentration on deposits remained at similar levels over past 6 years i.e. 70% for 2015 (2010 : 76%)

Deposits Concentration Level



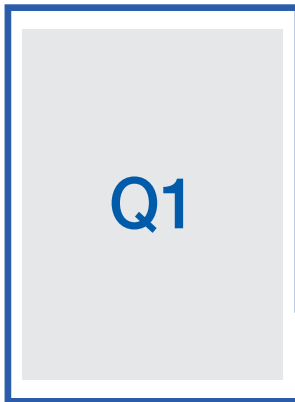
Markup income growth has been steady over the last 6 years. On an average, the contribution from markup income approximates 82% of the total revenue. Markup expense has increased over the last 6 years, based on regulatory revisions enacted over the period and growth registered in the deposit base. Concentration 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 2010 to 24% in 2015, which is well with in the reach on budgetary limits.

Quarterly Performance - 2015 & 2014

Rs. in Million

	2015				2014			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Profit & Loss Account								
Mark-up earned	18,960	20,089	20,883	20,600	20,484	19,212	19,638	17,935
Mark-up expensed	(6,523)	(8,080)	(7,982)	(8,625)	(8,985)	(8,635)	(8,216)	(7,921)
Net mark-up income	12,437	12,009	12,901	11,975	11,498	10,577	11,423	10,014
Provisions & write off	(1,634)	184	479	272	78	430	277	588
Non-mark-up income	3,637	4,034	4,201	5,243	3,885	4,094	2,715	2,740
Non-mark-up expenses	(6,174)	(5,949)	(5,665)	(5,617)	(6,239)	(5,394)	(4,971)	(4,986)
Profit before taxation	8,265	10,278	11,916	11,874	9,222	9,707	9,444	8,356
Taxation	(2,930)	(3,603)	(6,287)	(3,962)	(3,022)	(3,310)	(3,229)	(2,844)
Profit after taxation	5,336	6,675	5,629	7,912	6,201	6,398	6,214	5,512
Statement of Financial Position								
Assets								
Cash and balances with treasury banks	61,209	53,594	70,602	58,009	46,754	53,443	71,174	53,795
Balances with other banks	3,682	1,640	4,182	3,415	3,016	3,470	2,340	1,833
Lendings to financial institutions	5,132	733	1,375	3,611	1,418	3,690	1,086	1,528
Investments	568,803	615,500	627,524	585,971	511,137	459,664	444,020	462,148
Advances	314,125	307,557	315,273	303,666	303,559	289,558	284,115	253,183
Operating fixed assets	32,433	32,152	31,876	31,502	31,193	30,273	29,569	28,856
Other assets	31,246	24,906	32,589	26,412	37,555	28,746	36,208	25,910
	1,016,630	1,036,083	1,083,421	1,012,585	934,631	868,845	868,513	827,252
Liabilities								
Bills payable	11,975	9,286	10,822	9,870	16,628	8,771	8,841	8,300
Borrowings	118,459	138,712	130,013	89,030	59,543	49,352	30,830	48,755
Deposits and other accounts	708,091	712,197	765,791	736,157	688,330	666,344	685,766	627,144
Deferred tax liabilities	11,377	12,090	12,230	12,324	10,397	3,940	3,927	4,863
Other liabilities	28,927	25,099	27,664	28,510	29,630	24,015	24,662	24,639
	878,829	897,383	946,520	875,891	804,527	752,423	754,027	713,701
Net assets	137,800	138,699	136,901	136,695	130,104	116,422	114,486	113,550
Represented by:								
Share capital	11,130	11,130	11,130	11,130	11,130	11,130	11,130	11,130
Reserves	51,309	50,821	50,168	49,638	48,830	48,316	47,513	47,124
Unappropriated profit	50,464	50,692	49,125	49,628	46,948	45,275	43,401	40,971
Surplus on revaluation of assets - net of tax	24,897	26,056	26,478	26,298	23,196	11,700	12,442	14,325
	137,800	138,699	136,901	136,695	130,104	116,422	114,486	113,550

Quarterly Analysis: 2015



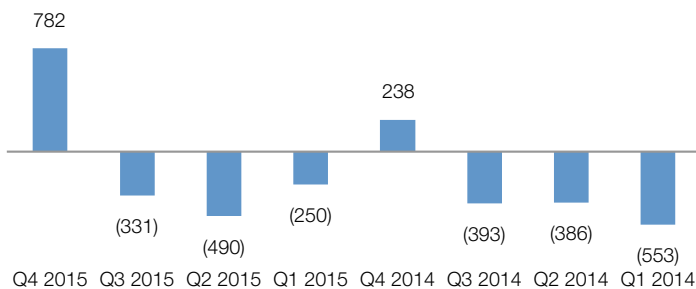
During the 1st quarter of 2015, Total Assets crossed the threshold of Rs. 1 Trillion and closed at Rs. 1.013 Trillion posing an increase of 8% over 2014. Mainly investments of the bank has increased upto 15% where T-Bills amounting to Rs. 66 billion acquired during the 1st quarter. Advances during the period were remained stagnant but deposits have shown a remarkable growth of 7% as compared to 2% industry growth. In this decreasing interest rate scenario, growth was observed in current deposits at 10% while CASA was maintained at 91%. Non Performing Loans decreased Rs. 224 million in 1st quarter making provision reversal of Rs. 288 million.

During the 1st quarter profitability of the bank has shown remarkable growth of 42% in PBT and 44% in PAT. This has been achieved due to higher contribution from non-mark up income which is grew by 91% over the corresponding period of last year. Growth in profit is also contributed by 20% increase in non-markup income.

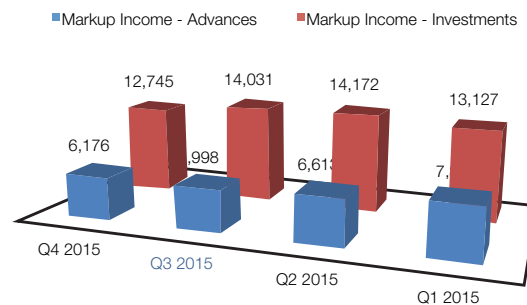
Second quarter of the year was exceptional in terms of assets growth where assets rose upto 16% as compared with YE2014 and closed at all-time high of 1.083 trillion. Growth was contributed by investments and advances which grew by 23% and 3% over December 2014. During the 2nd quarter investments amounting to Rs. 42 billion have been increased over March 2015 while advances amounting to Rs. 12 billion have been increased. 2nd quarter was also a remarkable period in terms of deposits growth as deposits closed at Rs. 766 billion growth of Rs. 30 billion in 2nd quarter. CASA ratio is maintained at 92.95%. Non performing loans further decreased Rs. 483 million during the 2nd quarter and it has contributed in profitability of the bank through provision reversal. PBT for the 2nd quarter was Rs. 11.9 billion while PBT for the half year was closed at Rs. 23.8 billion which is 34% higher than the comparative period of 2014. It is reflected by 73% increase in non markup income and 16% increase in Net markup Income.



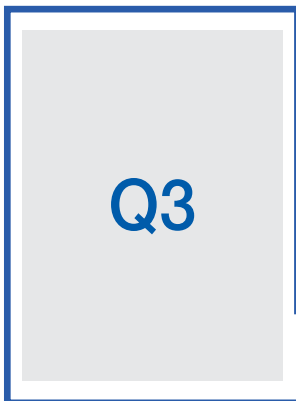
Quarterly Provision/(Reversals) against Advances
Rs. in Mln



Markup Income - Rs. in Mln



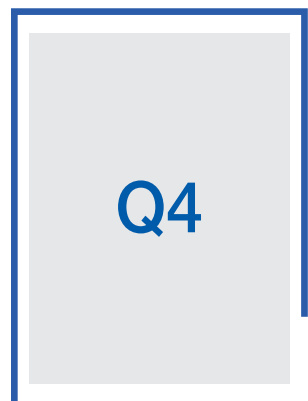
Quarterly Analysis: 2015



Third quarter remained challenging in which assets growth surged to 11% over the year 2014 and closed at Rs. 1.036 trillion. Due to maturity of investments amounting to Rs. 12 billion and decrease in advances Rs. 8 billion in 3rd quarter asset base of the bank is reduced. 3rd quarter also remained challenging for deposits due to transactional tax imposed through finance act 2015 in the end of 2nd quarter of 2015. Deposits surged to Rs 712 billion showing a shortfall of Rs. 54 billion over June 2015. Even this heavy surge of deposits, bank was ahead of the last year numbers of deposits by 3% and CASA was maintained at 93.35%.

Profitability of the bank was maintained its growth trajectory even in challenging quarter of 3rd year by increasing its CASA base and higher capital gains. Rs. 10 billion PBT was earned during 3rd quarter and overall 24% growth maintained over comparative numbers of 2014 which is closed at Rs. 34.0 billion while PAT closed at Rs. 20.2 billion showing growth of Rs. 12% over nine months ended 2014.

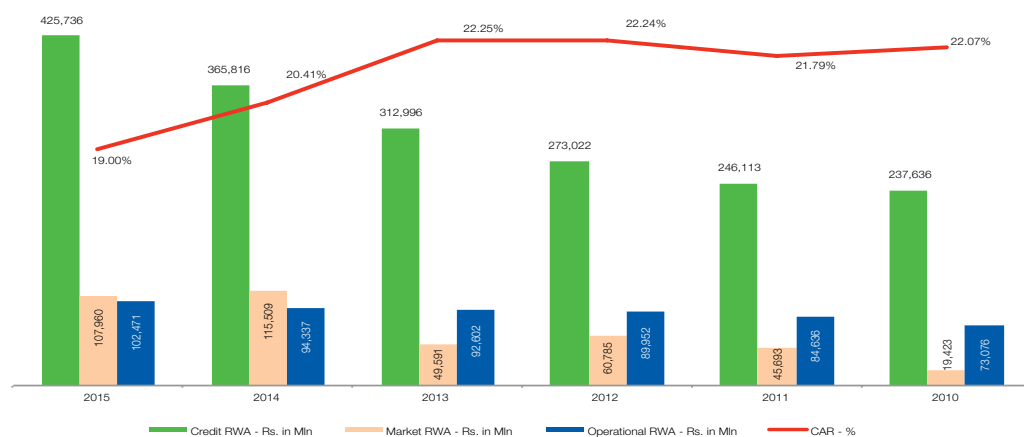
Assets of the bank further surged in 4th quarter due to maturity of its government securities and closed at Rs. 1.016 trillion. Investments further decreased in 4th quarter amounting to Rs. 47 billion while advances increased by Rs. 7 billion during the 4th quarter of 2015. Deposits growth remained under pressure in 4th quarter during to imposition of transactional tax and deposits closed at Rs. 708 billion at year end showing growth of 3% over December 2014 but decrease of Rs. 4 billion over 3rd quarter end numbers. NPLs of the bank further decreased by Rs. 444 million showing an over all decrease during the year Rs. 1.5 billion and closed at Rs. 20.3 billion. In terms of profitability, bank subjectively downgraded some of its portfolio in consumer finance and charged impairment against equity securities which lowers its quarterly profit but despite provisions bank was able to maintain growth of 15% in PBT over 2014 year end numbers.



Capital Structure

(Rs. in Millions)

	2015	2014
Capital Structure		
Tier 1 Capital		
Shareholders equity /assigned capital	11,130	11,130
Share premium	9,703	9,703
Reserves	41,288	38,733
Unappropriated profits	50,464	46,948
	112,585	106,514
Deductions:		
Book value of intangible and advances given for intangible	899	898
Other deductions	4,977	1,532
	5,877	2,430
Total Tier 1 Capital	106,708	104,083
Tier 2 Capital		
General provisions subject to 1.25% of total risk weighted assets	653	609
Revaluation reserves	16,681	12,990
Foreign exchange translation reserves	318	395
	17,652	13,994
Deductions:		
Other deductions	3,507	588
Total Tier 2 Capital	14,146	13,405
Total Regulatory Capital Base	120,854	117,489
Risk Weighted Assets		
Credit Risk	425,736	365,816
Market Risk	107,960	115,509
Operational Risk	102,471	94,337
Total RWA	636,167	575,663
Capital Adequacy		
Total eligible regulatory capital held	120,854	117,489
Total Risk Weighted Assets	636,167	575,663
Capital Adequacy Ratios	19.00%	20.41%

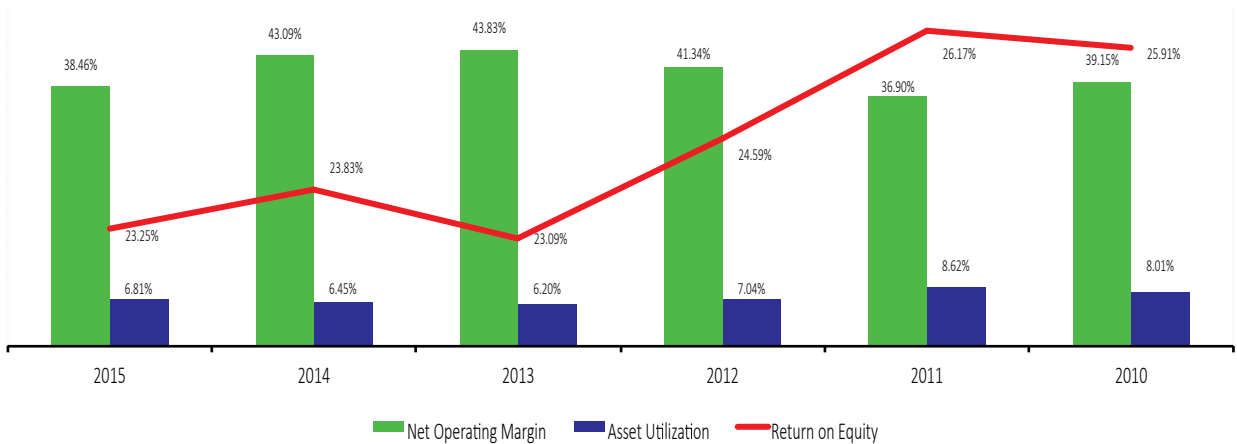


DuPont Analysis

			2015	2014	2013	2012	2011	2010
Net Operating Margin	PAT / Total Income	A	38.46%	43.09%	43.83%	41.34%	36.90%	39.15%
Asset Utilization	Total Income / Average Assets	B	6.81%	6.45%	6.20%	7.04%	8.62%	8.01%
Return on Assets		C = A x B	2.62%	2.78%	2.72%	2.91%	3.18%	3.13%
Leverage Ratio/ Equity Multiplier	Average Assets / Average Equity	D	8.88	8.57	8.50	8.45	8.23	8.27
Return on Equity		C X D	23.25%	23.83%	23.09%	24.59%	26.17%	25.91%

Following are the main DuPont analysis highlights:

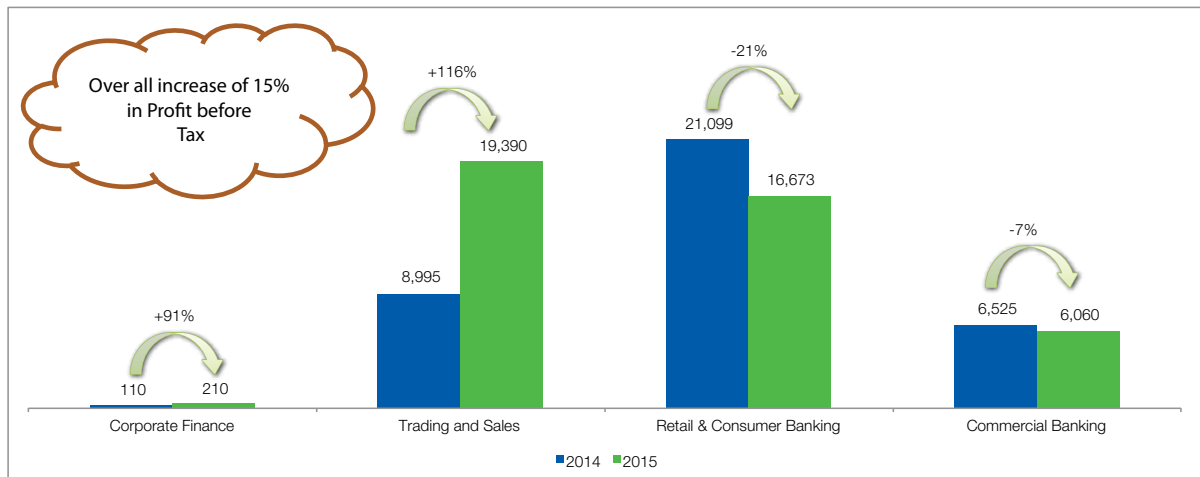
- 1) Net operating margin measure in term of profit margins showing increasing trend since 2011 due to improved non mark-up income, cost control measures and reversal in provisions. Decrease in current year was due to prior year tax charge.
- 2) Asset utilization in terms of total income has shown decreasing trend due to decrease in discount rate while corresponding upward revision in minimum deposits rate by regulator.
- 3) Equity Multiplier showing increasing trend since 2011 due to higher profits.



Segment Analysis

(Rs. in Millions)

	2015	2014	Var	%
Corporate Finance	210	110	100	91%
Trading and Sales	19,390	8,995	10,395	116%
Retail & Consumer Banking	16,673	21,099	(4,426)	-21%
Commercial Banking	6,060	6,525	(465)	-7%
Total	42,333	36,729	5,604	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

	2015	2014
	(Rupees in '000)	
CHARITY FUND		
Opening balance as on January 01	19,681	2,877
Additions during the year		
Received from customers on delayed payments	2,897	20,919
Profit on charity saving account	527	885
	3,424	21,804
Payments / utilization during the year		
Social welfare	(4,200)	(2,000)
Health	(8,000)	(2,000)
Education	(8,400)	(1,000)
Relief and disaster recovery	-	-
	(20,600)	(5,000)
Closing balance as at December 31	2,505	19,681
Detail of charity made during the year is as follows:		
Sindh Institute of Urology & Transplant (SIUT)	2,000	-
Care Foundation Pakistan	3,000	1,000
The Rising Sun	2,400	-
Aziz Jahan Begam Trust for the Blind	2,000	-
Mind Organization	2,400	-
Namal College Mianwali	2,000	-
M/S Qureshi Nazir Education Trust	1,200	-
The Citizen Foundation	1,200	-
Anjuman- i- Hamayat e Islam	1,000	-
The Young Men's Kalyana Association (Regd)	1,000	-
Children's Hospital & The Institute of Child Health	-	1,000
Rising Sun Education & Welfare Society	2,400	1,000
Shaukat Khanum Memorial Cancer Hospital and Research Centre	-	1,000
Fountain House Institute for Mental Health	-	1,000
	20,600	5,000

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

	2015	2014
	(Rupees in '000)	
"Chief Minister's Relief Fund for IDPs North Waziristan – 2014"	-	40,000
	-	40,000

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

Market Statistics of MCB's Share

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

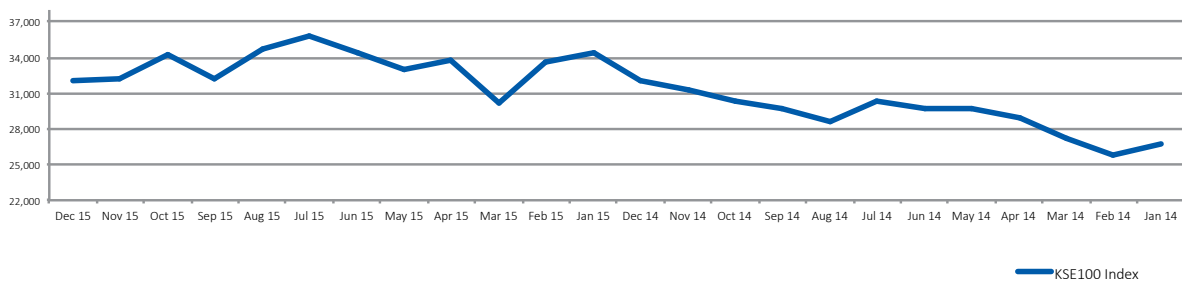
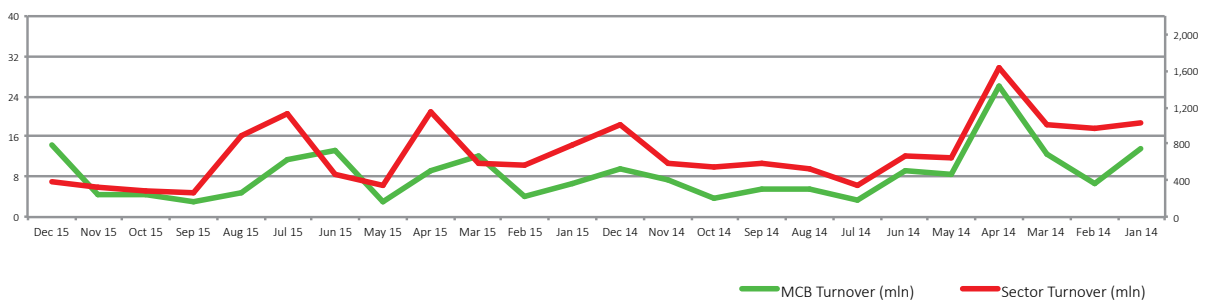
2015

December 31, 2015	245.85	205.34	216.85	3.50	413,828	37.18%	11,130	241,361
September 30, 2015	281.67	229.45	229.45	3.50	414,539	37.24%	11,130	255,385
June 30, 2015	291.68	232.88	249.12	5.00	350,332	31.48%	11,130	277,278
March 31, 2015	338.82	234.80	246.53	5.50	428,953	38.54%	11,130	274,395

2014

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

Dividend and Bonus	2015		2014	
	Mln	%	Mln	%
Final cash dividend	4,452	40	4,452	40
3rd interim dividend	4,452	40	3,896	35
2nd interim dividend	4,452	40	3,896	35
1st interim dividend	4,452	40	3,339	30



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
Opening of Wholesale Banking Branch in UAE	2014
Incorporation of MCB Islamic Banking Limited - a subsidiary company	2014
Divestment in MCB Trade Services Limited	2015

Financial Calendar

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 Scheduled 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

One of the shareholder enquired about the concentration of NPLs; to which, CFO responded that 94.71% of total NPLs was categorized as "Loss" for which 100% provision is provided after deducting liquid securities benefit. He mentioned that Bank did not take the benefit of "Forced Sales Value" and carried an unencumbered general provision of around 0.1% of the gross advances.

One of the members enquired about specific growth in other income in the non-fund income block; to which, CFO elucidated that the Bank booked compensation on delayed tax refund to the tune of PKR 1.1 billion in 2014. He added that non-markup income of the Bank was reported at PKR 13.435 billion; reflected an increase of 20% over YE13.

On a query of a shareholder, CFO apprised the shareholders that net investment based of the Bank was reported at PKR 511.137 billion, reflecting an increase of PKR 62.131 billion over YE13 and 95% (approx.) of investments were made in risk free Pakistan Investment Bonds ("PIBs") and Treasury Bills ("T.Bills") wherease 3% expousure represented equity securities. On another query, he stated that in order to secure a stable yield , a major shift in Government Securities was made during the year where T-Bills decreased from 71.9% as at December 2013 to 28.68% while PIBS increased from 23.9% to 66.5% as at December 31, 2014. With regard to deposit based of the Bank, he mentioned that CASA of the Bank maintained at 91% with current and saving accounts increasing by 10% each and 4% decrease in term deposits.

The Chairman, on conclusion of CFO briefing on financial results, stated that during the year, the Bank maintained a healthy return on assets of 2.78 percent, the highest in banking industry, whereas, return on equity was reported at 23.83 percent. He added that on account of Corporate Social Responsibility ("CSR") to the community, the Bank donated PKR 40 million to Chief Minister's Relief Fund for IDPs North Waziristan 2014, while charity contributions of PKR 5 million were disbursed to various charitable organizations. At this juncture, one of the shareholders stated that the Bank, being corporate member, should make more donations towards weak sections of the society and also participate in CSR and philanthropic activities.

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 since September 2015, is a world renowned Shari'ah scholar. He has a vast 45 years teaching and 30 years Fatawa issuance experience. He has written numerous books on Islamic Ideology and concepts. He is the Chairman of Central Moon Sighting Committee and Ex-member of Islamic Ideology Council, Pakistan, Ex-Director of Islamic Studies, Hong Kong. He is also a Member Shari'ah board of State Bank of Pakistan and Member Steering Committee constituted by Government of Pakistan for promotion of Islamic banking. He holds the following books to his name;

- Tafheem-ul-Masail (6 Vol.)
- Qanoon-e-Shariat (for LL.B course)
- Usool-e-Fiqah Islam (for LL.B course)
- Tuhfat-un-Nisa
- Islamiyat (for B.E, B.Com, B.Sc, B.A.)
- Islamiyat (for Intermediate)
- Tafseer Surah Al-Nisa

Mufti Syed Sabir Hussain

Resident Shari'ah Board Member/Head of Shari'ah Compliance

Mufti Syed Sabir Hussain, working with MCB since September 2015, is a prominent Shari'ah Scholar and experienced Islamic Banker. He has 15 years teaching, 10 years Fatawa and banking experience. He holds Shahadat-Al-Alimiyah, M.A Islamic Studies and M.S (I.T) degrees. He is ex-member of Shar'iah Advisory Board of SECP and invitee participant of Shari'ah board of State Bank of Pakistan and Member of several committees constituted by SBP on AAOIFI Shari'ah standards. He has 12 books to his name, including:

- Law of inheritance at glance

- اصلاحات اسلامی معیشت و وراثت
- سرمایہ کاری کے شرعی احکام
- اسلامی بینکاری نظام میں خیرات کا تصور
- ماخذ شریعت
- اربعین تجارت
- مکافل ایک حقیقت پسندانہ تجزیہ

Mufti Muhammad Imran

Member Shari'ah Board

Mufti Muhammad Imran, working with MCB Bank since September 2015, is a young qualified Shariah Scholar and experienced Islamic banker with knowledge of Islamic banking & finance. His educational qualification include Takhas-us-fil-Fiqh, MIBF & PGD (Islamic Banking & Finance) and M.A (Islamic Studies) and has been associated with different Research, Fatwa and Educational Institutions since 2003 and has over 6 years of banking, Islamic Banking Trainings, Shar'iah Compliance, review & product development experience. His research includes:

- Qard & Dain me Farq
- Al Taeyseer fee Hukm-e-Al Tasweer
- Shoroot-e-Ayemmah Khamsah
- Shoroot-e-Ayemmah Sittah

Directors' Report to the Members

I am pleased to present, on behalf of the Board of Directors, the 68th annual report of MCB Bank Limited for the year ended December 31, 2015.

Economy Review

As the year 2015 comes to a close and the year 2016 dawns, there are a handful of trends driving the global economy. Firstly, 2015 saw the Federal Reserve raise interest rates in the United States for the first time in nine years by 25 basis points, suggesting that the world's largest economy is finally on a path of monetary tightening. The possibility of this Federal Reserve move had been the dominant headline throughout the year, swaying currency values around the world, especially in emerging markets where capital flight continued to have a profound impact on their domestic markets.

Secondly, oil prices remained volatile throughout the year with WTI spot prices fluctuating between \$34.55 and \$61.36 a barrel during the year. As a result, several oil-producing economies have weakened during 2015 while inflation globally continued to be suppressed. The prospects for oil prices to return to normalcy remain slim with the market largely over-supplied while hopes for a cut in production particularly from OPEC countries is remote with Iran set to increase production in 2016.

Thirdly, 2015 also saw the world's second largest economy, China grow at 6.9%, its slowest annual pace in nearly 25 years. Import and export growth in the mainland has been particularly disappointing, which has affected markets globally. Furthermore, China's foreign exchange reserves fell by \$512.66 billion, the biggest annual drop on record while the Chinese Yuan devalued by about 5% during the year. Nonetheless, the increasing influence of Chinese economy was recognized as towards the end of 2015, the IMF agreed to include the Yuan in its reserve currency basket.

Fourthly, growth in the Eurozone and Japan remained frail while low oil prices ensured that inflation was well below target. In an attempt to revive economic activity, the European Central Bank (ECB) towards the end of 2015, announced that its quantitative easing program would be extended until March 2017, while deposit rates were further cut from negative 0.20% to negative 0.30%. There were also question-marks in the first half of the year over the long-term economic future of Greece, which secured its third bailout in five years.

Meanwhile, Pakistan's economy continued to show promising signs amidst the ongoing drawbacks of a fall in global commodity prices and weak export growth. After recording a GDP growth of 4.2% during FY15, compared to growth of 4.0% in FY14, the economic activity is projected to increase to 4.5% in FY16. MCB Purchasing Managers Index (MCB PMI) also confirmed this trend as it stood at 63.25 in November 2015, showing continuation of growth. At present, the manufacturing sector appears to be growing at a solid pace with Large-Scale Manufacturing (LSM) increasing on

a year-on-year basis by 3.89% in the Jul – December FY16 period. Moreover, credit to private sector increased by Rs. 339.8 billion during H1-FY16 due to the benefits of monetary easing, improving financial conditions of the corporate sector and a general uplift in business environment in the country. Crucially, firms were encouraged to avail credit not only to finance working capital but also fixed investments which will produce further expansion in the manufacturing sector going forward. On the downside, a weak cotton harvest and declining exports continued to weigh in on growth prospects. Pakistan's exports, in particular, have declined by 14.40%, in dollar terms from July – December FY16 when compared with the corresponding period of the previous fiscal year.

Pakistan's Foreign Exchange reserves further improved in 2015, with SBP reserves growing from \$10,513.1 million at the start of the year to \$15,883.6 million by December 2015. This was the result of timely materialization of the Coalition Support Fund (CSF), uninterrupted payments of IMF tranches and the successful issue of Euro Bond. Pakistan's total foreign exchange reserves ballooned to \$20,812.3 million, which is a record high. PKR started the year at 100.4831 against US Dollar, depreciating during the year in line with global trends to touch a high of 105.53 at the start of December 2015. However, the currency then gained strength to close the year at 104.741, showing a net depreciation of close to 4%.

The State Bank of Pakistan kept an accommodative monetary policy stance during the year. The SBP Policy (Target) Rate was introduced in May to enhance the effectiveness of monetary policy and better manage liquidity in the interbank market. Through this mechanism, the SBP aims at better managing the money market weighted average overnight rate around the new policy rate. Meanwhile, interest rates were slashed by 300 bps during the year, while the SBP's policy rate stood at 6.0% at the end of 2015. CPI inflation remained subdued on the back of declining oil and commodity prices in the international markets. Year-on-year CPI inflation dropped to 1.32%, a 12-year low in September 2015 before reversing the trend to reach 3.19% by December 2015.

Going into the year 2016, we are optimistic about the outlook for the local economy. With inflation expected to remain largely contained, robust growth in workers' remittances, further increases in foreign exchange reserves, the realization of benefits of the China Pakistan Economic Corridor (CPEC) which appears to be a real harbinger of growth and improvements in the energy crisis on the back of the LNG deal signed with Qatar, economic activity is likely to further pick up in the medium term. However, weak cotton harvest and lower exports are the dark spots which present a challenge to the policy makers.

Group Reviews

Corporate Finance and International Banking Group

In 2015, the bank merged together International Investment Group (IIG), Wholesale Banking Group (WBG) and Strategic

Planning and Investments Division (SPID). The merged entity was named as Corporate Finance and International Banking Group (CFIBG). This was done to bring about better coordination in Bank's domestics and overseas operations.

CFIBG was able to achieve an all-time high for corporate advances. Loan book growth was maintained in a structured manner with an optimal and risk return strategy. The group continued to closely monitor concentration of sectors and regions, to manage the portfolio on a proactive basis. During the year, a number of strategy papers were issued which included group limit setting for large corporates, review of approved limits, and Risk Asset Acceptance Criteria (RAAC). Such diversified exercises also allowed the group to identify cross sell opportunities, improve line structuring, set 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 impact of downtrend in discount rate coupled with aggressive competition in spreads amongst top tier corporate clients affected overall spreads, which was offset to an extent by term loans having fixed rates with higher spreads. This resulted in an increase in net markup income in 2015, allowing the group to transcend its profitability targets.

Oil prices slumped in 2015, and are continuing to go further downwards in 2016. This has had a domino effect on commodity prices globally. Pricing trends coupled with slowing down of major economies of the world and heightened political tensions between various countries, has impacted trade volumes negatively. We remained focused on exploring areas for generating fee income through offering innovative products and solutions to customers, resulting in increased income from trade and other avenues of unfunded income.

During the year under review, Investment Banking maintained its prominence in the domestic market by participating in various syndications and project finance deals, receiving recognition both locally and internationally. The bank was highly commended for "Deal of the Year" by the Asset Triple A (Country Award 2015) for Government of Pakistan's divestment of Allied Bank Limited shares, and was also the runner-up for "Corporate Finance House of the Year" by CFA Institute of Pakistan.

Despite the challenges during the year, Transaction Banking Division (TBD) improved its profitability and business volumes. TBD was able to close 2015 on a high note with collections and payments business crossing One Trillion rupee mark in annual volumes. Under the Prime Minister of Pakistan's Kissan Package, Transaction Banking was able to execute around 135,000 transactions all across the country through its real time payment system.

During 2015, TBD also played a major role in facilitating the flow of remittances through the legal banking channels in Pakistan. The Bank handled home remittances in excess of USD 2 billion in 2015 with double digit percentage increase over the previous year. The highest growth came from the

UAE-Pakistan corridor followed by UK-Pakistan corridor, achieved through reinforcing existing relationships and by adding new market leaders as tie-ups, in addition to conducting various marketing campaigns.

In addition to the aforementioned highlights, other major achievements of CFIBG during 2015, included:

- Advisor to Government of Pakistan's ("GoP") for the divestment of 88% shareholding in National Power Construction Corporation Pvt. Limited, being GoP's first successful strategic sale in last eight (8) years.
- MCB acted as Joint Lead Managers and Arrangers for Engro Corporation Limited's divestment of 7% shareholding in Engro Fertilizer Limited. The transaction was oversubscribed by 2.8x times.
- MCB acted as Lead Financial Advisor and Arranger, and also the Security Trustee for syndicated project finance facility of PKR 25.2 billion (SCORE) for FWO for construction of Karachi Hyderabad Motorway.
- MCB acted as Lead Advisor and Arranger, and also Facility and Investment Agent in the syndicated term finance facility of PKR 16 billion for Pakistan Mobile Communications Limited.
- 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.
- MCB achieved 17% market share in the cotton import business emanating from cotton shortage in the country during 2015.

CFIBG is all geared up to continue with its growth strategy in 2016, with the renewed focus on book building, service based fee enhancement and FX revenue yielding transactions by introducing innovative products and solutions. 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.

MCB Bank Limited – Sri Lanka Operations

The Bank has had a presence in Sri Lanka for more than two decades. It is now the 3rd largest branch network among foreign banks in the country, and is operating with 8 branches in different cities i.e. Colombo, Kandy, Batticaloa and Galle. MCB in Sri Lanka provides convenient banking services through access to over 700 island wide ATMs, as well as Virtual Banking.

MCB Bank Limited – Bahrain Operations

MCB has been operating in the Kingdom of Bahrain as an Offshore Banking Unit since 1995. Bahrain operations have shown significant growth in its profitability through continued focus on regional syndicated transactions, bilateral deals and investments.

MCB Bank Limited – UAE Operations

In line with MCB's strategy for international expansion, 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. The wholesale branch would help to facilitate and act as a hub for international trade in the MENA region. The year 2016 would be the first full year of UAE operations, and we expect it to augment the profitability generated from overseas operations in the coming years.

Assets Rehabilitation Group

During 2015, Assets Rehabilitation Group (ARG) posted an accumulative recovery of Rs. 1.427 billion. This remarkable performance translated into a premier recovery yield of 17% p.a., which is unprecedented when compared with its peers. With this achievement, ARG maintained its legacy of recovering over Rs. 1.000 billion for the 8th consecutive year. Also, the Group registered a considerable growth in business activity & recovery spread with regard to number of cases, which increased by 5% over 2014 (350 Vs. 334). Besides this, the Group accomplished substantial improvement in recovery from Consumer Non Performing Loans (NPLs), which yielded a growth of 10% over 2014 (i.e. Rs.480 million Vs. 435 million). With a comprehensive strategy, covering multiple remedial measures, the Group has been successful in settling a large number of chronic/complex defaults, amidst non-conducive business environment, non-supportive legal system and an upsurge in NPLs across the banking industry.

It is noteworthy that ARG has recorded an average recovery yield of 19% p.a. over the past seven years and contributed approximately Rs. 10 billion towards the profitability of the bank. Resultantly, NPLs of MCB sloped down-wards with a significant pace, while industry NPLs showed an increasing trend during this period. This remarkable performance of the Group has escorted MCB to attain a position of market leader in this particular business segment of the banking industry.

All the above was not achieved overnight. The vision was translated into actions through imparting continuous training, inculcating necessary skills for the job at hand and also by the qualities of perseverance & pursuing the goals patiently & optimistically.

Going forward, ARG, with its new set-up, will manage Bank's entire classified portfolio, as well as regular assets of Commercial, Consumer & Corporate businesses that require special attention. This transformation & consolidation of ARG will be beneficial for an effective management of Risk Assets so as to ensure improved financial performance, cost efficiency & quality of assets of the bank. In this regard, ARG has planned to further enhance its operational capability & efficiency. Building on its current human capital, the underlying philosophy of **"innovative pro-activism"** will further be entrenched into the mindset of ARG's workforce, which will positively contribute towards the achievement of organizational goals in future.

Consumer Banking Segment (Retail Banking Group)

Consumer Banking has continued to move in the right direction with increased sales and enhancement in product menu. As part of bank's strategy, Retail banking group has been focusing on the right mix of products and services for consumers to maximize lending & fee based revenue streams. These strategic objectives were pursued through Consumer Lending, Wealth Management & Digital Banking functions.

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 2015.

A number of product initiatives taken under consumer lending function resulted in significant sales increase of consumer lending products in 2015. Credit card issuance increased by 42% and Auto Loans booking increased by 47% during the last year. Besides increase in Auto Loan numbers, Net Financed Amount (NFA) per customer was also increased by focusing on higher-value vehicles. The year 2015 also saw the revival of Home Loans; with the Bank reopening this product in selected areas in the three major metropolitan cities of the country, a tremendous increase of 486% was witnessed in disbursement volume under Mortgage loans.

The Bancassurance business continued its rapid pace of growth and new premium booking crossed PKR 1.4 billion mark in 2015. With introduction of some new product offerings available for distribution, our Investment Services business grew over 2014 by more than 25% and exceeded PKR 9 billion sales volume. Substantial growth of 69% was achieved from only 9 Privilege Centers across Pakistan with a substantial positive shift in Current Account Saving Account: Term Deposit mix. We intend to provide value added services, with a focus on cross-sell, to our top depository clients through this set up. Rupee Traveller Cheque (RTC) business is yet another feather in MCB cap. MCB leads the market in this segment and caters to the bulk of total industry needs.

Bank's Digital Banking has successfully created a comprehensive payment system that provides convenience to both individual and corporate customers thus creating an effective echo system. Digital Banking's contribution towards revenue, net profit and customer engagement continued on the increasing trend throughout 2015 and registered 23% revenue (net from customers) growth over 2014. MCB Retail Banking achieved new milestone with PKR 1.3 billion of non-funded revenue alone from its Debit Card business. Coupled with the launch of new Debit Card variants i.e. Platinum Supplementary and Gold Local along with enhancement in card security, it emerged as a successful business proposition setting up high benchmarks for Industry peers. Our focus has been to maximize the value of our Alternate Delivery Channels (ADCs) including ATMs, Mobile Banking, Internet Banking and Call Center. MCB Mobile Banking has

also continued to grow at a fast pace with an active customer base exceeding 650,000 showcasing an increase of 16% from the year 2014. To further strengthen this channel, mobile applications on world class platforms i.e. Google Playstore & Apple Appstore was launched in year 2015 which received tremendous response. MCB Internet Banking – a full fledge self-service channel that was launched in 2013 also continued to grow and new registrations increased by 28%. An entire new array of billers along with cheque book requisition option was added in the service menu of the channel. MCB call center is also further equipped to handle increasing call volume due to introduction of new products gaining strength from technology / infrastructure upgrade. We take pride in the fact that MCB call center offers multiple regional languages for customer service.

With one of the largest ATM networks in the industry, the Bank continued to expand and added 136 new ATMs in 2015 crossing a mega network size of 1,070+ ATMs, ensuring strong footprint and convenience for all its customers nationwide. Another important pillar strengthening the Digital Banking presence is the Merchant Acquiring Business. Point of Sale (POS) terminals is a key element in ensuring MCB's presence in simplifying payments and the POS network grew by more than 50% in 2015. Further, the Acquiring Business entered into new hallways of payment ecosystem when MCB partnered with Telenor as Payment Facilitator for e-commerce payments making MCB a pioneer in this space. The Bank continued to grow in the branchless banking arena and remains committed towards financial inclusion of unbanked population

Priorities in 2016

- Emphasis on ADCs i.e. Internet Banking, Mobile Banking, Call Center, ATMs and cards
- Leveraging Retail & Corporate client base
- Best in class service quality
- Lead in transaction convenience
- Improve Non Fund revenue

Branch Banking Network (Retail Banking Group)

Despite challenging circumstances, Branch banking network of Retail Banking continued to make steady progress in growing its deposits base in 2015. Contribution of Branch Banking network in total deposit of the bank was 91.64% in 2015. CASA portfolio of the group further improved during 2015 reaching 94.2% (December 2014: 91.9%) 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 deteriorating law and order situation and energy crisis in the country.

In 2015, keeping in view customer needs and market offerings, Retail Banking Group introduced various new

deposit products to cater the financial requirements of the customers. New product launches primarily enhanced the current account menu of the group along with addition in long term deposit product menu.

One of the biggest achievements of Retail Banking Group in 2015 was once again an extraordinary success during Hajj campaign. With dedicated and focused efforts across the network, MCB became the market leader in catering highest successful Hajj applications in the industry. Besides dedicated and focused efforts across the network, first of its kind alliances made with renowned institutions in Insurance and Telecom industry offering accidental life coverage and discounts on Telco packages also contributed towards this success.

Due to a focused strategy, Retail Banking Group managed to substantially increase the overall commercial Trade which crossed PKR 250 billion mark with an increase of 24.5% over 2014.

Priorities in 2016

- 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

Islamic Banking Group

MCB Islamic Banking Group offers a complete set of solutions that are Shariah Compliant providing a parallel route to conventional or mainstream banking. The products and services offered by MCB Islamic Banking Group have been developed to value the faith of customers, ensuring profits on their savings through Shari'ah compliant banking products. The MCB Islamic Banking Group caters to a wide variety of Shariah Compliant products and services to its valued customers of all demographic segments across both the asset and liability side. At present MCB Islamic Banking has a network of 34 branches in 17 cities across the country. In the year 2015, MCB focused on further improvement of its Islamic Banking brand image through distribution of brochures, marketing campaigns and placing of stalls at various Islamic Finance conferences, seminars and forums. MCB Islamic Banking Group also arranged extensive trainings for its staff members to ensure an in-depth knowledge of Islamic Banking. To comply with instructions of the regulatory authority particularly Shari'ah Governance Framework issued by State Bank of Pakistan and the policy of the Bank, the Islamic Banking Group has got in place its operations and products manuals in conformity with said regulations and Bank's policies. Further, under the instructions of regulator, MCB Islamic Banking Group continued practicing Pool Management System for transparent calculation and

distribution of profit to remunerative deposits holders. During 2015, MCB Islamic Banking Group remained cost efficient in its business operations. To strengthen Islamic Banking book size, MCB Islamic Banking has shown significant growth both in liability and assets portfolio.

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. During the year, the Bank has 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 of the Bank's domestic Islamic Banking operations referred in Annexure II of unconsolidated financial statements subject to approval by the Bank's shareholders and sanction by the Honourable Lahore High Court whereunder, after requisite approvals, the assets, rights, liabilities and obligations of the Bank relating to domestic Islamic Banking operations will be transferred to and vested in MCB Islamic Bank Limited.

The Bank filed a petition in the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under section 284 to 288 of the Companies Ordinance, 1984. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on January 8, 2016.

Under the Scheme, from September 30, 2015 (the effective date) and until the date on which this Scheme becomes operative pursuant to the provisions of Article 14 of this Scheme, and is the date on which the assets, liabilities and operation of Islamic Banking Group of "MCB" are transferred to and vested in "MCBIBL" by virtue of and Order of the Court under section 287 (1) of the Companies Ordinance, 1984 (completion date), the domestic Islamic Business will be deemed to have been carried on by MCB for and on account and for the benefit of MCBIBL. On this basis, all profits and losses accruing or arising to or incurred by MCB Bank Limited through the operation of the domestic Islamic Business from the Effective Date (i.e. September 30, 2015) shall be treated as the profits or losses, as the case may be, of MCB Islamic Bank Limited.

The scheme, although operative from the effective date, shall take effect finally upon and from the date on which the last of the aforesaid sanctions or approvals or orders shall have been obtained, and such date shall be the completion date for the purpose of the scheme.

When the Scheme becomes effective, transfer to and vesting in MCB Islamic Bank Limited of the Islamic Business in accordance with the Scheme, will be treated as having taken effect from the Effective Date.

Capital Market

The year 2015 witnessed a lot of volatility in global markets on account of slumping growth in China, falling commodity prices, steep slide in oil prices and sell off in equities of emerging markets. All of these factors negatively impacted Pakistan's equity market. However, Capital Markets Division outperformed the market and added handsome gains to the bank's bottom line. The Division's profit to employee ratio continues to be the highest in the bank. Performance is attributed to identifying investment opportunities through diligent and extensive research and continuously rebalancing the portfolio. The Banking and Oil and Gas Sector continued to remain under a lot of pressure this year because of sector specific dynamics and as a result we decided to take provision on holdings in these sectors. The group continues to keep abreast of all macroeconomic developments and maintaining flexibility in approach to asset allocation including both active and passive investing while weighing systematic and unsystematic risks to achieve risk/return objectives. Our positions in the pharmaceutical, cement and fertilizer sector stocks provided significant upside. Going forward the Division will continue to look for opportunities to invest while closely monitoring risk.

Treasury and FX Group

In 2015, Treasury continued its streak of extraordinary performance in both quantitative and qualitative areas. As a matter of fact, it accelerated its growth rate in the 5th year of its successive pattern of achieving sterling performance.

The year was marked by significant movements in the interest rates as the discount rate was cut by 300 bps. The Treasury however, through its top-notch research, quality forecasting of economic variables and efficient implementation of its trading strategies, not only smoothly weathered this volatility but turned it into an opportunity of material value-addition for the bank.

MCB maintained its status as a Primary Dealer and improved its ranking over 2015. The interbank desks (both Money-Market and FX) maintained their status as the top market-maker and the choice bank for its clients. Ramping up its offering of derivative solutions, the Treasury promoted a full suite of derivative products. The Treasury actively marketed to its client base innovative hedging solutions to cover their interest rate and FX exposures. This offering – meant for our sophisticated corporate clientele – keeps them at par with the developed world in terms of availability of hedging instruments. All this was made possible through enhancement of our capabilities in structuring, pricing and risk-warehousing this next-generation products line.

2015 marked the first full year of MCB Purchasing Managers Index (PMI) releases. MCB PMI is one of the few 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 on current global economic developments in Lahore and Karachi. These interactive sessions were meant to provide an informative platform to our corporate clients helping them understand the volatile global economic landscape with its attendant risks and opportunities. The customers appreciated the initiative and sought solutions for countering the threats as well as converting them into opportunities for their respective businesses. This is the manifestation of Treasury living the true values of the bank by watching out for our customers and creating value in their businesses.

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 2016 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 alongwith 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 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 2016, IT Group is more committed towards:

- i) Upgrade of Primary Data Center Facility alongwith the implementation of Enterprise Management Solution;
- ii) Implementation of integrated Biometric Verification System at Branches & other distribution channels;
- iii) Enhancements of Modules in ORACLE's Enterprise Resource Planning (ERP) System;
- iv) Discovery Initiation on Enterprise Data Warehouse (EDW) alongwith Business Intelligence (BI) Platform;
- v) Implementation of a new Credit Card Management System;
- vi) Implementation of Anti-Fraud & Risk Management System;
- vii) Upgrade of Storage, X-Systems & Backup Solutions at Primary & DR Facility;

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.

Operations Group

Customer service, operational efficiency & excellence, and strengthened controls & compliance environment within the Bank remained key areas for Operations Group.

Operations Group successfully led the project of Core Banking System (CBS) Upgrade in 2014 and embarked upon related & critical projects of system transformation, i.e. Migration of Consumer Assets Portfolio from the legacy Consumer Asset Management System (CAMS) to CBS, and Data Feed to Credit Risk Management Information System (CRMIS) from CBS. Migration of Consumer Assets Portfolio

to CBS will enable the Bank having its customers' view on a single platform covering all relationships including Corporate, Commercial and Consumer Financing Portfolio; while enablement of Data Feed to CRMIS will help bring efficiency and reliability in regulatory reporting. Substantial work on the referred projects has been done and these are expected to be rolled out during 2016.

The Group has effectively provided functional support across the Bank in developing and strengthening business processes especially in the backdrop of various system implementations, changes in regulations, products and processes helping businesses launch/enhance new/existing products, channels, and services. Some of the key initiatives included Salary Solution through MCB Lite, E-Commerce Super Merchant, Instant Account Opening at branches, and launch of MCB Asaan Account.

Operations Group has always remained focused on providing superior customer services in an efficient and reliable manner. In a bid to achieve these objectives, it is leading implementation of Real time Gross Settlement (RTGS) – Straight Through Processing (STP) functionality as mandated by State Bank of Pakistan (SBP). Straight-through integration will position Bank to handle its valued customers' inter-bank transactions in a time efficient manner. The Group has also been a key player in augmenting Bank's footprints overseas through opening of a wholesale branch in Dubai. Logistic and operational support was provided to the business for this purpose, where trade and treasury operations for the branch are being handled centrally.

The Group continued its support for the business groups through centralization of various processes and take-over of system parameterization of critical applications in order to achieve standardization and strengthen controls. Accordingly, system parameterization of CBS, Oracle P2P, Treasury System, and Oracle Flexcube (Dubai operations) was taken over by the Group during the year. The Group has always focused on strong process controls and has been a key player of Bank's internal control structure. Accordingly, Bank wide internal control (COSO) framework documentation was updated to incorporate changes in regulations, policies, processes and systems. The group also led implementation of SBP's initiative for provision of equitable services to visually impaired/ blind customers in a dignified manner as part of Bank's commitment towards corporate social responsibility and compliance with regulatory requirements.

Aggressive business targets related to various consumer products / channels such as Visa Debit Cards, Credit Cards, and Auto Loan were fully complemented with operational expertise and processing support. Exponentially high volumes were witnessed while servicing transaction banking/ home remittances transactions. The Group also remained focused on provision of valued general services to all groups within the Bank on logistic and infrastructure fronts.

Business Continuity Plan

Business Continuity Plan (BCP) supports to improve overall

efficiency of MCB Bank by identifying the relationship between assets, humans and financial impacts to critical services and deliverables.

Organizations can experience severe consequences when mission critical services and products cannot be delivered to its customers and stakeholders however MCB Bank by following BCP 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.

Service Quality

To ensure a culture of Quality Customer Service within MCB Bank Ltd, we have a dedicated Service Quality Division. The objective of this Division is to strengthen the bank's Service culture, competitiveness and infrastructure by working closely with other groups / divisions. The emphasis is on achieving an overall Customer Satisfaction level. Moreover, SQD also initiates Process Improvements in order to achieve the fundamental business objectives of 'growing', 'deepening' and 'retaining' customer relationships".

Service Quality Division has been focusing on Bank's service culture by capturing the voice of customers, continuous trainings to the staff and Turn Around Time monitoring to ensure timely and accurate services. Complaints help SQ in identifying the areas for improvement. Repeated complaints of a similar nature lead to a process evaluation or process improvement. Moreover, the same helps the unit determine training needs for the front end staff. Hence, the Complaint Management System (CMS) is being used by Call Centre & Complaint Resolution Unit to record the total input of Complaints & their resolutions for better customer service and gap analysis. Also, to help the customers a complaint form has been formulated and are available at all branches. Third party Mystery Shopping Program, Customer Satisfaction Surveys and Complaint Management are the most practiced ways to capture the Voice of customers, thus, immense focus on these has been made by the Bank. Also, robust training on Service Excellence, People Management & Service Management Program is a regular activity being performed by SQD in order to enhance the Service Protocols awareness amongst the branch banking teams.

To ascertain the importance of Service, Bank has a Service Management Program, launched during the year 2015. The Service Management Program (SMP) comprises a set of Service Management Protocols/ Behaviors and Activities to be performed at branch level to ensure a standard level of service is maintained. When taken together, these aggregated activities will provide powerful insight into the quality of service provided by the stakeholders. Results can help guide efforts toward continuously improving service

performance levels, ultimately strengthening the bank's position as a high quality service provider.

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.

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.

During 2015, e – KYC/CDD and e – STR applications amid system up-gradation of MANTAS to Financial Crime & Compliance Management (FCCM) were implemented. Further, an AML – Online Help Desk for the field staff of High Risk Branches was launched. Moreover, Foreign Account Tax Compliance Act (FATCA) was implemented across the Bank and required FATCA details were reported to IRS, accordingly.

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.

Audit and Risk Assets Review Group

Internal audit function lies at the core of overall control structure of any organization. The function provides assurance that is critical to the management and the Board in gauging the strength of the Bank's control environment. 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).

The Group continued to perform its role on both the assurance and consultative fronts. The function played significant role in evaluating the effectiveness of control systems and contributing to ongoing effectiveness by enhancing visibility of the management and the Board on the internal control affairs of the Bank. The Group also highlighted areas for

improvement and worked closely with the management, through consistent follow-up, monitoring and guidance to ascertain progress towards resolution of significant issues. As in previous year, increased focus was placed on the development of the audit staff so as to equip them with the knowledge and training that enabled them to perform their duties objectively and with professional due care.

With a commitment to support the Bank in its endeavor for continuous improvement, Audit & RAR Group will persevere to strengthen its resources and Framework to cope with the changing and challenging banking environment.

Legal Affairs Group

The mission of the Legal Affairs Group is to further the strategic goals and to protect and preserve the legal, ethical and financial integrity and the reputation of MCB Bank. 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.

During 2015, the group remained cost efficient and provided support to relevant groups including ARG, RBG (Commercial & Consumer), HRMG, WBG etc. Legal Affairs Group is committed to perform up the curve in future to ensure consistent delivery on legal aspects.

Human Resource

HRMG continued to be a successful business partner by providing strategic support to all Groups of the Bank in ensuring business continuity and taking initiatives in hiring to plug the gaps identified by the Businesses. HR redrafted and revamped previous policies by aligning them to be more market adaptable and employee friendly. Special attention was given to dissemination of Bank's Vision, Mission and Values across the network by none other than the President himself, who took out time from his busy schedule to go to various areas for the purpose. These inspirational sessions were very well received by the staff, who were able to appreciate the macro picture of the bank and realizing his/her own role in it.

Learning & Development Department, actively supported by all four L&D teams, implemented the vision of the Bank's management to invest in its Human Resource by conducting trainings that offered greater value addition to their personalities as well as enhancing their technical skills. Moreover, there was conscious effort towards aligning goals and objectives of employees with those of the bank.

Regular Certification programs for Branch Managers & Branch Operations Managers continued during the year to enhance the skill level of front end staff. Certification program was launched for "Regional Operations Managers", which was attended by ROMs from across the board.

External speakers were invited in-house for the development of our staff in area of Credits and Leadership and further to that Motivational Speakers were also invited to address the staff of the Bank.

On the IT front, L&D successfully delegated the nominations entry into SAP Training module to all respective HR coordinators, hence simplifying the process and empowering the field to manage the trainings of its staff.

Throughout the year MCB HR has focused on hiring trained and experienced employees 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. Not only has MCB become the preferred employer, the Bank has consistently played a pivotal role by fulfilling its corporate social responsibility. HR has focused on being the link between the employee and the senior management to streamline processes in order to reduce Turn Around Time (TAT) in facilitating employees.

During the year HR successfully implemented Organization Structure policy to ensure alignment of job roles with organizational goals. These goals are cascaded down for branch banking and back-office staff to form their performance indicators (KPIs). For branch staff, the goals are tracked monthly, to provide them with real time feedback of their progress. These KPIs form the basis of merit based reward management, promotions and training & development plans for the year. The Bank also reviews KPIs and performance standards on a regular basis to ensure that the direction of the effort is consistently aligned with business strategy. The transition of branch KPIs from exclusive year-end performance to a combination of year-end and average balances ensures justified performance mechanism.

Security

Year 2016 commenced with the Biennial Security Conference attended by the Regional Security Officers and Security Officers from all over the country. The participants resolved to focus on the basic technical training of the Security Staff with a view to ensure checking of security equipment installed in the branches and assist Branch staff in maintenance of faulty gadgets. The visible improvement in overall law and order in the country, particularly in the city of Karachi and programmed visits by the security staff helped in maintaining a high standard of security and health/safety measures in the branches due to which only one robbery incident took place during the year. Installation of Burglary Alarm System (BAS) supported by Vendor / Police Response Teams was completed in another 200 branches which brought the total to 600 branches. This will help in reducing the risk of theft / robbery and will also curtail the heavy expenditure on physical security.

The training process of branch staff on security matters continued with its full zeal and Regional Security Officers delivered lectures to the staff attending training sessions in Bank Staff Colleges and during their visits to different

regions. Demonstrations and training on functioning of Burglary Alarm System were also arranged in Lahore, Gujranwala, Sargodha, Karachi and other major stations through vendors.

Risk Management Framework

The Board of Directors at MCB Bank Limited, actively drive the risk management framework that provides an active approach in dealing with factors that influence the financial standing of the Bank. With the valuable guidance of BOD, the Bank has always sought to generate recurrent earnings and create meaningful returns for its shareholder. An Effective Risk Management Framework and Risk Governance Structure remains a cornerstone towards ensuring realization of the vision of the Bank. Collectively, the strength of the risk profile of the Bank comprises of:

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

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

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

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

As a matter of principle, the Bank continuously challenges itself to improve its Risk Management Framework in the light of the international best practices and State Bank of Pakistan guidelines. Various policies related to management of different risks were approved or renewed by the BOD on recommendations of the RM&PRC in 2015. To serve requirements of bank's ventures into newer areas, RM&PRC reviewed and recommended for BOD's approval the following new Policy documents:

1. Credit & Risk Management Policy for MCB Bahrain operations

2. Interest Risk Rate Management Policy
3. Fair Treatment of Customer – Financial Consumer Protection Framework

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

Management Committee for Risk is an additional platform to discuss and deliberate key risk issues in the portfolio at the management level. Regular meetings were convened to oversee the risk exposures in to the portfolio of the Bank. During the year 2015, the Bank continued the policy to remain selective in disbursing its loan to good quality borrowers engaged in different businesses. The Bank maintains lower than average industry level NPL ratios and maintains a fairly diversified loan portfolio. For risk categorized as sovereign/government risk, the lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that range from different development related works to utility distribution and production. Many of these government owned corporations operate on profitable self-sustained basis. To manage adverse outcomes in terms of unfavourable scenarios, multiple factors in the lending structure of the Bank provide additional comfort and support, through quality of eligible collateral, pre-disbursement safety measures and post disbursement monitoring.

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

Bank's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing

thus enabling an effective decision-making. The liquidity risk management approach at MCB involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in the balance sheet. During the year the liquidity position of the Bank remained satisfactory. A large and stable base of customer deposits at the Bank, along with a strong capital base provided a source of strength and supported maintenance of strong liquidity position during the whole year. The Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. Though no local regularity liquidity benchmarks exist under Basel regime, yet the Bank is in a comfortable position to meet the Liquidity Coverage Ratio and Net Stable Funding Ratio as per Basel Criteria.

Bank has also extended its operations in overseas to capture the opportunities of high yield and diversification. It has cross border operations in Bahrain, Sri-Lanka and UAE. Balance sheet or off-balance sheet are susceptible to the changing conditions in various countries of the world. Country-wise bank's exposure is monitored on regular basis. Country Exposure Limits are in place, which broadly capture direct exposure on sovereigns and exposures on foreign domiciled counter parties. Additionally, business product wise sub limits involving cross border exposure are also implemented. Monitoring of these limits is a regular feature of Risk Management.

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 has enhanced banks' capacity to capture and report operational risk events. The same will be further augmented in the future to enable the bank to focus on advanced approach of Operational Risk. The software is also capable for periodical regulatory and management reporting. The Bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk free culture in the staff through workshops and on-job awareness. Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA) where the Bank continues to pursue a number of initiatives for the adoption of The Alternative Standardized Approach (ASA) including business line mapping and risk and control self-assessment exercises.

Capital Assessment and Adequacy

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% against the requirement

of 10.25% (including capital conservation buffer of 0.25%). Quality of the capital is evident from Bank's Tier-1 to total risk weighted assets ratio which comes to 16.77% against requirement of 7.5%. 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 8.17% which is well above the regulatory limit of 3%.

Liquidity management and strategy to overcome liquidity position

The liquidity risk management framework at MCB is designed to identify measure and manage the position of the Bank in a timely manner. The underlying policies and procedures include: Risk Management policy, Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy and Limit Structure which are reviewed and approved regularly at the senior management and Board of Directors Levels.

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. The process includes identifying, quantifying and prioritizing all sources of funding, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling any adverse liquidity positions. MCB performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. MCB's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.

The Asset Liability Management Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and stress scenarios. MCB Bank monitors and assesses the impact of increase in NPLs, deposits concentration, deposits withdrawal, expanded business opportunities, acquisitions and negative reputation, on its liquidity positions. Liquidity Strategy is also in place, to ensure that the Bank can meet its temporal liquidity needs and optimize the contribution towards the profitability of the Bank. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management.

Financial Highlights

MCB Bank Limited delivered exceptional results for the year ended December 31, 2015 meeting stakeholder expectations ensuring significant contribution to the sector and economy:

Profit and Appropriation

The profit before and after taxation for the year ended December 31, 2015 together with appropriations is as under:

	Rs. in Million
Profit before taxation	42,333
Taxation	16,782
Profit after taxation	25,551
Un-appropriated Profit Brought Forward	46,948
Remeasurement of defined benefit plans - net of tax	(1,720)
Transfer from Surplus on Revaluation of Fixed Assets (net of tax)	49
	45,277
Profit Available for Appropriation	70,828
Appropriations:	
Transfer to Statutory Reserve	2,555
Final Cash Dividend @ Rs 4.0 per share - December 2014	4,452
Interim Cash Dividend @ Rs 4.0 per share - March 2015	4,452
Interim Cash Dividend @ Rs 4.0 per share - June 2015	4,452
Interim Cash Dividend @ Rs 4.0 per share - September 2015	4,452
Total Appropriations	20,363
Un-appropriated Profit Carried Forward	50,465
Earnings per share (EPS) - Rupees	22.96

Dividends

The Board has recommended a final cash dividend @ 40% for the year ended December 31, 2015. This is in addition to 120% interim cash dividends paid during the year. The effect of the recommendation is not reflected in the above appropriations.

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

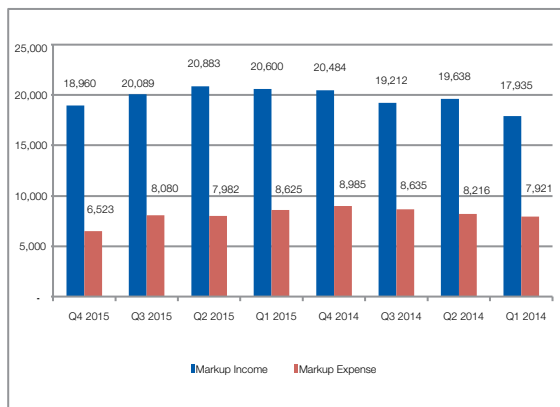
Profitability

Profit after tax of the Bank rose to Rs. 25.5 billion registering a steady growth of 5% over last year while Profit before tax also rose to Rs. 42.3 billion with an exceptional growth of 15% over 2014. It was mainly contributed by 13% increase in Net Markup income and 32% exceptional increase in Non-Markup Income.

In 2015, through strategic placements and focused reduction in high cost deposits, spread of the Bank remained at 5.15%

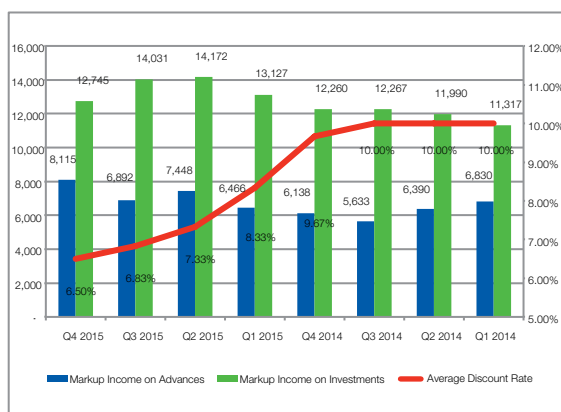
(2014: 5.42%) despite a major reduction of 300 bps in the discount rate. The net interest income of the bank reported an increase of 13% which was primarily volume driven. On the gross markup income side, the bank recorded an increase of PKR 3.3 billion which was mainly contributed by the strategically built strong investment base.

Net Mark-up Income
Rs. in million



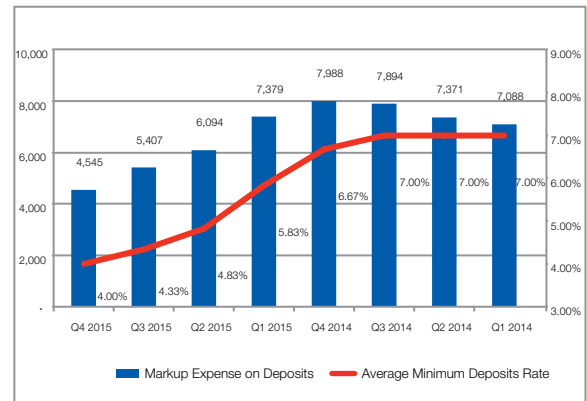
Analysis of the interest earning assets highlights that income on advances decreased by PKR 2.7 billion owing to 201 bps decrease in yield. On the investment side, markup income reported an increase of 6.2 billion which was mainly driven by volume variance of 11.8 billion. The yield on investment portfolio has dropped by 104 bps when compared with 2014.

Mark-up Income - Advances and Investments
Rs. in million



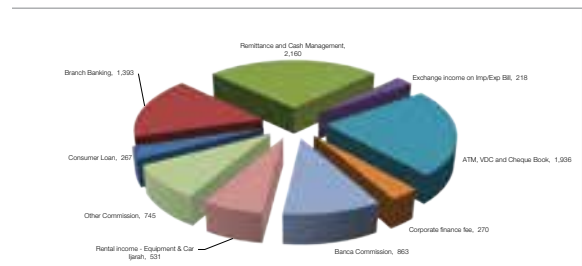
On the interest bearing liabilities side, the consistent tapering of high cost deposits along with the decrease in minimum deposit rate resulted in a significant drop of 142 bps. The average volume of deposits registered an increase of 71.2 billion with current accounts growing by a massive 37.4 billion YoY on average. The cost of saving deposits has decreased by Rs. 5.7 billion with 209bps reduction in cost whereas fixed portfolio cost has decreased by 125 bps. Resultantly the spread of the Bank was reported at 5.15 with a 27 bps drop over 2014.

Mark-up Expense - Deposits
Rs. in million

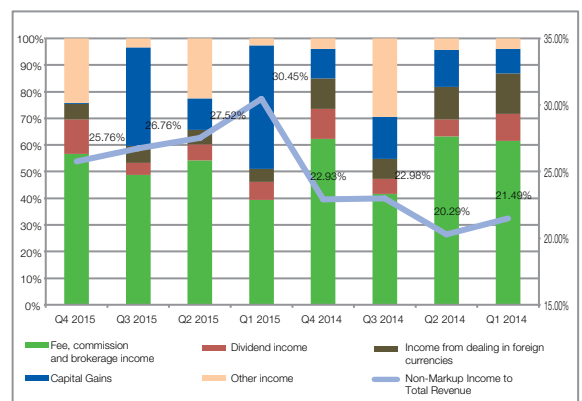


The Bank achieved a remarkable growth of 32% in non-markup income base which increased to Rs. 17.1 billion for the year. The increase is mainly contributed by higher capital gains of PKR 4.4 billion and fee base of PKR 8.3 billion. Catering to the financial and transactional requirements of our privileged customers, the Bank has been actively engaged in the card business, which has supplemented the fee, commission income by Rs. 263 million. Other significant contributors to the fee income were commission on remittances, commission on trade, commission income from Bancassurance and rental income earned on car and equipment ijarah.

Composition of Fee Income
Rs. in million



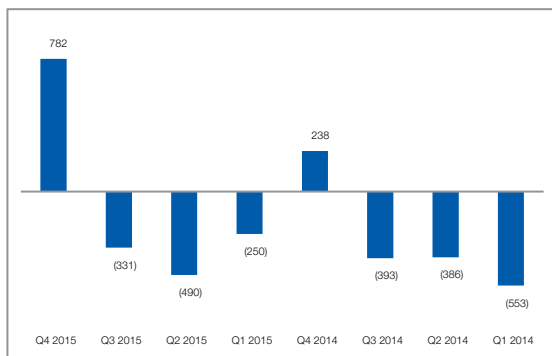
Composition of Non Mark-up Income
Rs. in million



Compensation on delayed tax refunds amounted to Rs. 1.4 billion as compared to Rs. 1.1 billion in 2014. Dividend income increased by Rs. 206 million while income from dealing in foreign currencies decreased by Rs. 493 million when compared with 2014 numbers. The ratio of non-markup income to total revenue has increased to 25.76% in 2015 from 22.93% in last year.

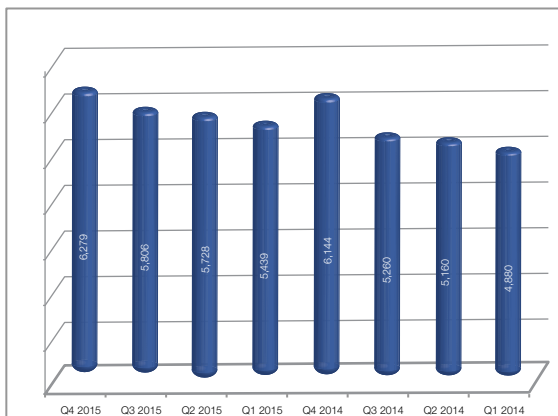
Exceptional performance of our recovery units coupled with strengthened risk management framework and aggressive provisioning has resulted in reversals in provision against advances. The quarterly breakdown of the trend is presented in the below table:

Quarterly Provision (Reversals)/Charge Against Advances
(Rs. in million)



On the administrative expenses side, the Bank registered an increase of 9% over last year. Major increase was registered in rent, repairs, communication, depreciation and outsourced staff cost. Considering the growth in operational network and inflationary surge, the growth remains well within the acceptable limits. Pension fund reversal for the period was reported at 776M as compared to 832M reported for the last year.

Admin Expenses (without PF Reversal)
(Rs. in million)

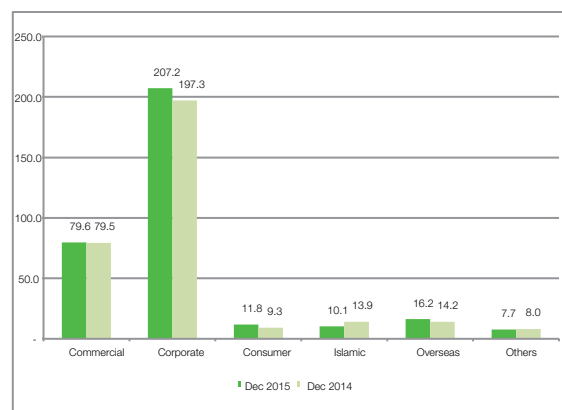


Statement of Financial Position

The total asset base of the bank was reported at PKR 1.017 Trillion, reflecting a healthy increase of 8.77% over

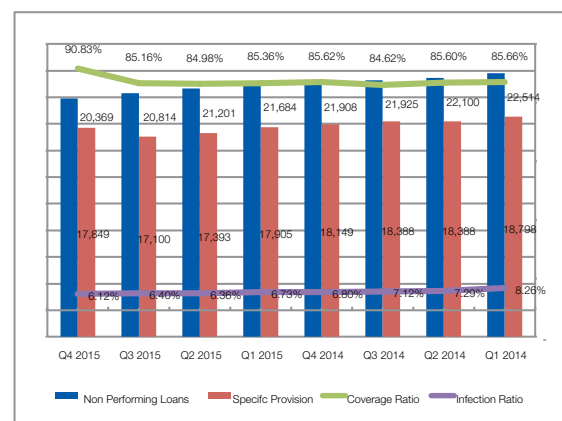
December, 2014. Asset mix highlights that main contributor to the said increase were net investments which grew by PKR 57 billion to PKR 569 billion. Gross advances registered an increase of PKR 10 billion over 2014 and were reported at 332.6 billion. Group wise categorization of advances highlights an increase of PKR 9.9 billion for Corporate Banking and PKR 3.8B drop in Islamic Banking group. The consumer banking book of the bank has grown by a massive 26% over December 2014 with main increase registered in Auto Loans. .

Group Wise Advances
(Rs. in billion)



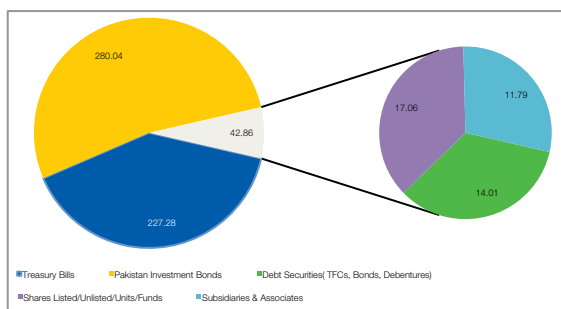
The NPL base of the Bank continued on its decreasing trajectory with PKR 444 M decrease in the Fourth quarter taking the total NPL reduction to 1.539 billion for the year. The contraction in NPL base has been primarily observed in the doubtful and loss categorized advances which went down by 828 million and 426 million respectively. With reference to the concentration of NPLs, 99.77% 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 significantly improved to 90.83% 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 6.12% as compared to 6.80% as at December 31, 2014.

Assets Quality
(Rs. in million)



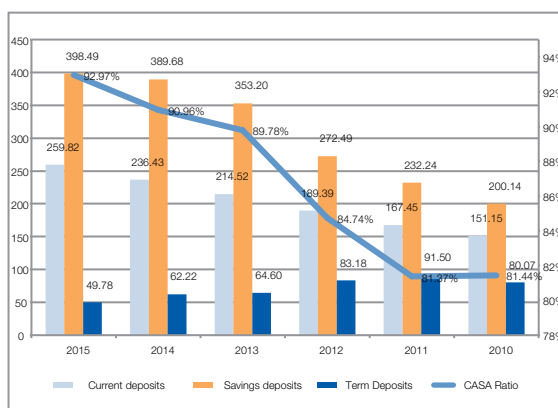
The net investment base of the Bank was reported at PKR 568.8 billion, reflecting an increase of PKR 57.7 billion over December 31, 2014 in absolute terms. Approximately 92% of the investment base is in risk free PIBs and Treasury Bills with 5% exposure in equity securities. T-Bills concentration levels have improved from 29% as at December 2014 to 41% with PIBs concentration level dropping from 66% as at December 2014 to 51%. With reference to the concentration levels in different maturity buckets, 37.54% of the T-Bill exposure is classified in 3 months category, 34.99% in 6 month category and balancing 27.48% in 1 year category. On the PIBs side, 43.60% is concentrated in 3 years, 42.57% in 5 years and 13.73% in 10 year and above category. On the equity portfolio front, the Bank recorded impairment on some of its oil and banks related exposures based on the subjective assessment.

Composition of Investments
(Rs. in billion)



The second half of the calendar 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 December 2014 with CASA base of the Bank gaining strength to 92.97% with current accounts growing by 10%, saving by 2% with fixed deposits decreasing by 20%. As a strategic move, the Bank has been tapering off its high cost deposits to align with the decreasing interest rate environment and supplement its net interest margins. The impact of the said move can be substantiated with 142 bps decrease in the cost of deposits.

Deposits Concentration
(Rs. in billion)



Non-financial performance

Non-financial performance during the year is tabulated below:

		2015	2014
Branch opened during the year	Numbers	25	15
Credit cards issued during the year	Numbers	10,647	7,505
Accounts opened during the year	Numbers	449,260	349,021
ATM card issued during the year	Numbers	642,649	488,706
ATM installed during the year	Numbers	136	148

Market Performance

Karachi Stock Exchange continued its rising trend and crossed all previous highs and closed at 32,131.28. Market again posted remarkable returns for equity investors. Both foreign and local investments were recorded during the year making this again an outperforming year for capital market. Basic statistics are summarized below:

Index KSE 100

High	36,228.88
Low	28,927.04
Closing	32,131.28

Market capitalization of the Bank was recorded at Rs. 241.3 billion and the share price closed at Rs. 216.85 (High: Rs. 338.82, Low: Rs. 205.34).

Key sources of estimation uncertainty

The key sources of estimation uncertainty are discussed in detail in note 4.3 of the financial statements.

Future Outlook

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 fueled 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 intension. 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.

Corporate Awards and Recognitions – 2015

- **CFA 12th Excellence Awards**
 - Most Stable Bank of the year 2014
- **Finance Asia Country Award for Achievement**
 - Best Bank in Pakistan 2015
- **ICAP & ICMAP**
 - Winner of Best Corporate Report Award 2014
- **SAFA Award**
 - Winner of Best Presented Annual Accounts 2014 Award in Financial Sector
- **Asset AAA**
 - Deal of the year award as joint lead arranger for divestment of GoP shareholding in Allied Bank

Credit Rating

The Pakistan Credit Rating Agency (PACRA) through its notification dated June 24, 2015, has maintained bank's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus].

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

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

Role of the Chairman

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

Role of the President/CEO

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

Statement on Internal Controls

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

Evaluation of Board Performance

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

values and the behaviors it wishes to promote in conducting its business.

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

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

During the year, 2015, the Board deliberated on the following significant issues/matters:

- Annual Budgets/Business Plan for 2016.
- Bank's performance against 'MCB Long Term Strategic Plan 2013-2017'.
- Strategic Projects of the Bank.
- Approval, review of Bank's Policies and amendments thereto.
- Exception to Board approved policies.
- Financial Results, on quarterly/half-yearly and annual basis, of the Bank and consolidated financial results with its subsidiaries.
- Related Party Transactions as recommended by the Board's Audit Committee.
- Significant activities and achievements of the Board's Committees.
- Matters recommended by the Board's Committees.
- Periodical Performance Review of Bank's Business Groups.
- Client Service Reports issued by the External Auditors and its compliance status.
- Shari'ah Advisor's Report and its compliance status.
- Status and implications of all material law suits filed by and against the Bank.
- Write-offs/Waivers approved at Different Authority Levels and recoveries thereto.
- Cases of fraud and irregularities of a material nature

reported to SBP.

- Institutional Risk Assessment Framework ("IRAF") Questionnaire.
- SBP Thematic Inspection Report on CCG and AML/CFT.
- Consolidated SBP Industry-Wide Thematic Inspection Report on Third Party Products Offered by Banks and Profit Sharing Mechanism With Depositors, IBG.
- Time Bound Action Plan incorporating required action against issues highlighted in SBP Inspection Report.
- Complaints received under Whistle Blowing Program of the Bank.
- Determination of Level of Materiality under Code of Corporate Governance.
- Review of Issues relating to Corporate Governance.
- Matters pertaining to State Bank of Pakistan ('SBP') Inspection Reports.
- Report on Governance, Risk Management and Compliance Issues.
- Matters pertaining to Regulatory Requirements.

Board Evaluation Criteria:

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

- Evaluates the strategic plan periodically to assess the Bank's performance, considers new opportunities and responds to unanticipated external developments.
- Ensures that a vision and/or mission statement and overall corporate strategy for the Bank is prepared and adopted.
- Ensures that significant policies have been formulated.
- Focuses its attention on long-term 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.

Performance Evaluation of the Chief Executive Officer

President / Chief Executive Officer of the Bank is vested with the responsibility of managing overall affairs of the Bank. The Board, assuming a monitoring role, delegates its authority to the CEO to effectively manage the Bank, implement strategic decisions / policies and align the Bank's direction with the vision and set objectives. Performance evaluation of the CEO covers quantitative as well as qualitative aspects and is conducted on defined parameters which primarily cover financial performance against budgets, adherence to regulations, nurturing an ethical culture within the organization and goal congruence of the entire MCB family. CEO achievements are substantiated by the overall growth in profitability operations and underlying financial strength of the Bank. During the year, the Human Resource and Remuneration Committee of the Board of Directors evaluated the performance of the CEO in line with the established performance based evaluation system. HRMC recommendation were, thereafter, reviewed and approved by the Board.

Statement under Code of Corporate Governance:

The Board of Directors is aware of its responsibilities under the Code of Corporate Governance and is pleased to report that:

- The financial statements, prepared by the management of the Bank, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Bank have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment;

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained in the Annual Accounts;
- There has been no material departure from the best practices of corporate governance;
- There are no significant doubts upon the Bank's ability to continue as a going concern;
- The System of Internal Control is sound in design and has been effectively implemented and monitored;
- Key operating and financial data of last six years is presented in the stakeholder's section of this report;
- Pattern of Shareholding, complying with the requirements prescribed by the code is annexed with the report;
- Statement of Compliance with Code of Corporate Governance is included in the Annual Report;
- The number of Board and its Committees' meetings held during the year, 2015 and attendance by each director is mentioned below;
- The Committees of Board of Directors along with their terms of reference/charter have been separately disclosed in the Annual Report;
- The Value of investment of provident and pension fund as at June 30, 2015 on the basis of audited accounts is Rs. 10,708.805 million and Rs. 7,752.029 million respectively;
- The Board members either have the prescribed education and experience as required for exemption from Directors' Training Program or have completed Directors' Training Program pursuant to clause xi of CCG, except for one Board member who will complete the Directors' Training Program in first quarter, 2016. Furthermore, appropriate arrangements were made by the Bank during the year 2015 for orientation of Directors to acquaint them with their duties and responsibilities.

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

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

Election of Board of Directors:

Election of the Board of Directors was held on March 27, 2015, wherein, all the existing directors were re-elected. Further, the President & CEO of the Bank, was re-appointed on December 21, 2015.

Detail of Board Meetings held outside Pakistan:

During the year 2015, all the Board of Directors meetings held in Pakistan.

Pattern of Shareholding

The aggregate shares held by directors, their spouses and minor children along with other executives of the Bank as at December 31, 2015, are as follows;

Directors	Self	Spouse(s) & Minor Children	Total
Mian Mohammad Mansha	7,834	6,424,057	6,431,891
S. M. Muneer	2,059	2,427,986	2,430,045
Tariq Rafi	32,008,864	5,715,093	37,723,957
Shahzad Saleem	902	-	902
Sarmad Amin	2851	-	2,851
Mian Raza Mansha	12,661,685	28,461,365	41,123,050
Mian Umer Mansha	31,986,378	-	31,986,378
Aftab Ahmad Khan	914	3,000	3,914
Ahmad Alman Aslam	665	-	665
Dato' Seri Ismail Shahudin	669	-	669
Muhammad Ali Zeb	550	-	550
Mohd Suhail Amar Suresh Bin Abdullah	884	-	884
Other Executives*			89,855

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

All the trade in shares carried out by Directors, CEO, CFO, Secretary, Executives, their spouses and minor children during the year 2015 are given below:

Name	Status	No. of Shares	Purchase / Sale / Transfer
Mrs. Sajida Aftab	Director's Spouse	3,000	Purchased
Mr. Irshad Ahmad	Executive	180	Sold
Mr. Muhammad Saleem Merchant	Executive	46	Purchased
Mr. Manoj Kumar Ahuja	Executive	3,542	Sold

Auditors

The Auditors, M/s A. F. Ferguson & Co., Chartered Accountants have completed their term of five years and are not eligible for reappointment as per the regulations. Therefore, 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 2016 in the forthcoming Annual General Meeting.

Acknowledgements

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

For and on behalf of the Board of Directors,



Mian Mohammad Mansha
Chairman

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 for Life

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.

MCB Bank, the largest employer

MCB Bank is one of the largest employers in Pakistan with a strength of about 18,000 employees. The institution promotes talent which helps in healthy growth and employee satisfaction as well.

Corporate Social Responsibility

MCB Bank is one of the market leaders in the banking sector where it understands its responsibility towards the national economy. The strategy at the Bank has always been to safeguard the interest of both its internal and external stakeholders by strictly adhering to regulations and principles of good governance.

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

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

Education for All

MCB Bank recognizes the role of youth in the future of Pakistan. It has, therefore, partnered with leading educational institutes across the country to develop the personality and character of Pakistan's future generation. In this regard, the Bank has signed an agreement with LUMS for the purpose of providing soft loans to its students.

Each year, the Bank allocates special funds that are utilized as sponsorships for various education based activities. During 2015, the Bank partnered and sponsored activities for Old Ravians Association, Lahore University of Management Sciences (LUMS), National University of Science & Technology (NUST), Institute of Chartered Accountants of Pakistan (ICAP) and Carnival Fund Raising Event by British Overseas Parent Teacher Association.

Sports

During 2015, the Bank made sponsorships for Multan Golf Club, PAF Golf Club Islamabad, Academy of Cricketing Excellence DHA EME, PAF AIR Headquarters (Unit), Islamabad Blind Cricket Cup 2015 and PAF Golf Club Islamabad.

In addition to the above sponsorships were also made for Karachi Children's Art Festival, Director FIA Sindh – Sponsorship for Culture Program & ASF Passing out Parade 2015.

Energy Conservation

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 during 2015.

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

For **Energy Saving Measures**, the Bank has planned to change-over of normal lighting sources i.e. bulbs/tubes to LED lights which are energy efficient.

Using technological advancement, a BMS operational system is installed at MCB Bank Principal Office building to have 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.

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. MCB Bank in collaboration with Frontier Works Organization (FWO) has also contributed towards horticulture project on M2 motorway.

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. In 2015, the Bank directly liaised with organizations like Sundas Foundation,

Corporate Sustainability Report

Shaukat Khanum Cancer Hospital, and Pink Ribbon Campaign of Pakistan. These philanthropies have helped the Bank in reaching out to the affected communities.

Besides direct financial support, the Bank also helped various charities by raising funds through electronic banking, distribution of flyers and free media space.

Consumer Protection Measures / Procedure Adopted for Quality Assurance of Product 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".

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. During 2015, a total of 66,771 complaints were resolved at a success rate/level of 99.79%.

Complaint Details:

Total Login for the Year 2015 (All Categories)												
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Grand Total
5,139	5,940	5,678	5,601	6,959	5,999	5,875	8,598	10,979	9,525	7,175	6,598	84,066

Complaints 2015			
Category	Closed	Open	Total
Complaint	66,771	138	66,909
%age	99.79%	0.21%	

Complaints 2015			
Category	Within TAT	Beyond TAT	Total
Complaint	33,731	33,040	66,771
%age	50.52%	49.48%	

Turnaround Time (TAT) Monitoring:

Monitoring and evaluation of service indicators is part of the belief in increasing and retaining customer base. In order to keep a strong hold on processes within the Bank, SQ division has devised several controllable measures at par with prevailing market practice. Against each measure, a tolerance level along with a timeline is set. Similar to the Branch Banking, indicators for Consumer Assets, Credit Cards, Bancassurance, Call Centre, Mobile Banking and ATM Uptime are monitored monthly by SQ. During the year 2015, Internet Banking Indicators monitoring has also been started. The TAT for day-to-

day activity and their performance against it is then presented to the management to ensure excellent service through fast delivery process.

Customer Experience Management:

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

Service Management Program (SMP)

Service Quality has ensured that all service related activities along with (TAT) Turnaround time for Branch Banking are readily available at the branches. During the year, over 1900 Staff members were trained on 'Customer Service Excellence' with reference material that is easily accessible. This exercise has helped improve staff confidence, reduction in customer TAT. This initiative has considerably improved branch performances in terms of customer satisfaction and quality checks.

Service Council

Service Council has been formulated to bring together key stakeholders from across the bank with a view to place service on the forefront through thought leadership, collaborative discussions and creation of a clear roadmap supported by facts and data. A meeting is held periodically which is convened by SQD Head and chaired by the President himself along with the relevant Group Heads and Business Heads.

Service Protocols, Complaint Logging and Suggestion Forms

SQ introduced Service Protocols Booklet once again in all the branches for Standardization of Service Standards. A new, 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, 1250 branches were monitored with respect to service parameters and protocols. Moreover, around 650 branches were 'Mystery Shopped' by independent external agency and results of this activity was shared with management for further improvement. The average scores remained between 80 to 85 percent across all regions including troubled non- metropolitan areas/far flung troubled areas.

Industrial Relations

MCB Bank is fully responsible for maintaining a healthy relationship between individual workers and employees where it plays a critical role in facilitating the staff from all walks of life. It gives special heed towards the agreement and satisfaction of its staff as a whole. The 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.

Corporate Sustainability Report

Employment of Special Persons

MCB Bank is an equal opportunity employer. It does not discriminate on the basis of race, gender, age or disability.

Occupational Health and Safety:

MCB Bank has always tried its best to provide a congenial working environment to its employees, which includes Health & Safety aspects of its personnel. 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.

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 of its patrons.

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.

Business Ethics & 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 sign-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 2nd highest market capitalization in the banking industry. In 2015 the Bank paid PKR 15.9 Billion as income tax to Government Treasury and contributed approx. PKR 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 PKR 54.61 Billion, out of which around PKR 9.79 Billion was distributed to employees and PKR 17.81 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

Agriculture finance business of the bank has embraced new and progressive outlook with the shifting of focus from recovery to expansion during the year 2015. As a result of new initiatives, the portfolio size has almost doubled and provision of credit to the farming community for production of crops and mechanized farming has significantly increased. This is being ensured by maintaining a separate Agriculture Credit Division and a team of agriculture marketing officers posted at branches located in areas rich in agri-potential. Agri- officers approach farmers for providing awareness and achieving the objective of financial inclusion. The response from the farming community in meeting their commitments has been encouraging.

MCB Bank fully supports all Government and State Bank of Pakistan's 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 exploits 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.

MCB Bank has 418 rural branches that offer customized product menu to suit and meet the requirements of the locals. MCB Bank is committed in enhancing the knowledge and understanding of banking business vis-a-vis spreading and exploring neglected regions of the country.

Social and Environmental Responsibility

MCB Bank Limited undertakes its responsibility to be recognized as an organization that is aware of both its social and environmental obligation. The Bank continuously strives to inculcate the same by creating awareness amongst stakeholders, streamlining its operational processes and reinforcing the same through various policies. The key areas that the Bank focuses upon are to provide a safe and healthy workplace, protect the environment and conserve energy through use of appropriate technology and management practices.

Some of the salient features of the Bank policy are as follows:

- Compliance with local, national and international laws and regulations as well as the spirit thereof and conduct of business operations with honesty and integrity
- Promote and engage in social welfare activities that help strengthen communities and contribute to the enrichment of society
- Provide innovative, safe and outstanding high quality banking products and services exceeding the expectations of customers
- Significant investment to develop technological based 'Alternative Delivery Channels' for maximum 'Financial inclusion'
- Sustainable development through building and maintaining sound relationships with our stakeholders through open and fair communication
- Communication and dialogue with employees, to build and share the value of "Mutual Trust and Mutual Responsibility" and work together for the success of our all stakeholders
- Respect for people by honoring the culture, customs, history and laws of Pakistan. Constantly search for safer, cleaner and superior practices that satisfy the evolving needs of the society
- Minimize the environmental impact of business operations, by working to reduce the wastage of all resources
- Develop, establish and promote practices enabling the environment and economy to coexist harmoniously and build close and cooperative relationships with individuals and organizations involved in environmental preservation

Human Resource Management

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

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 / procedures and avoid perceived conflicts of interest that may arise during the course of business.

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

Disclosure of Interest by Director:

Every director (including spouse and minor children) of a Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the directors. Directors are required to disclose existing or perceived conflicts of interest 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 in the Board discussion of that topic. The member who has disclosed the conflict cannot vote on that item.

Insider Trading:

Directors shall not deal directly or indirectly in the securities of the Bank whether on their own account or their relative's account, if they are in possession of any unpublished price sensitive information concerning the Bank. Directors who are in possession of any unpublished price sensitive information shall not communicate directly or indirectly the said information to others who trade on such information.

Where any director or his/her spouse sells, buys or takes any beneficial position, whether directly or indirectly, in the shares of the Bank, he/she shall immediately notify the Company Secretary in writing. Such director shall also deliver a written record of the price, number of shares, form of share certificates, (i.e., whether physical or electronic within the Central Depository System), and nature of transaction to the Company Secretary within two days of effecting the transaction. Further, no director shall, directly or indirectly, deal in the shares of the Bank, in any manner, during the closed period as determined by the Board of Directors.

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:

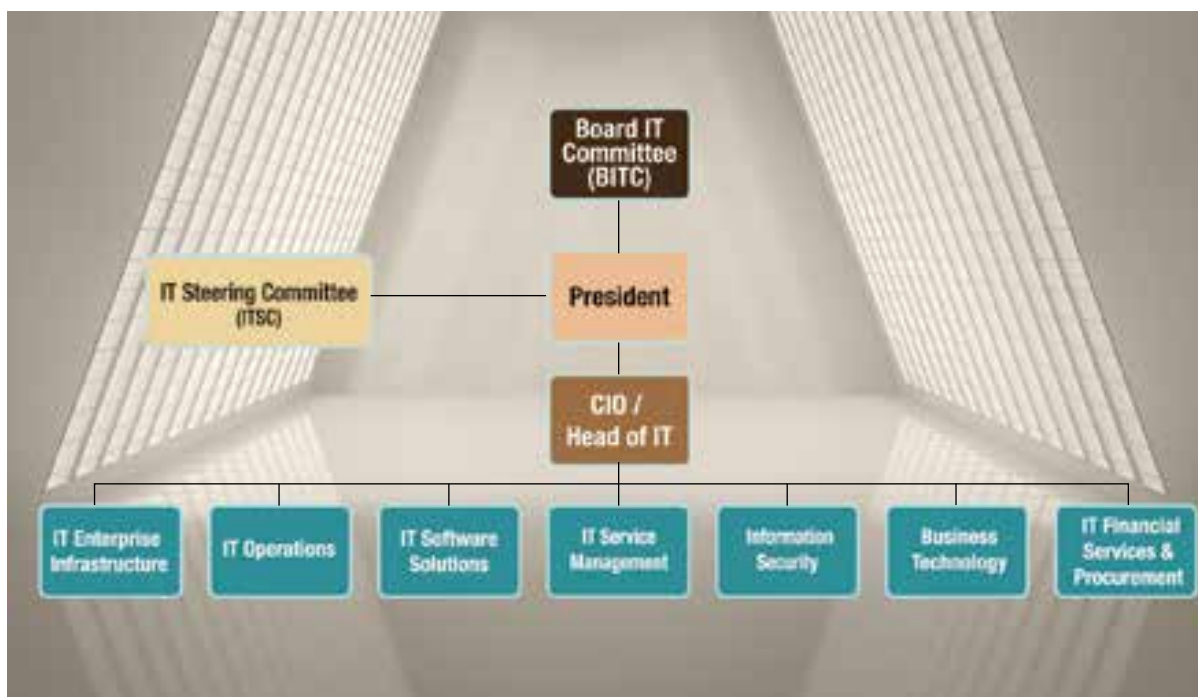
The Bank takes exposure in the companies in which our Directors (including their spouses, parents, and children) hold key management positions, or are interested as partner, director or guarantor, or shareholders holding 5% or more of the share capital of that concern, with the approval of the majority 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.

Bank is not taking exposure against the guarantee of any of its directors, any of the family members of any of directors and any firm or private company in which our directors are interested as director, proprietor and partner.

Conflicts of Interest Register:

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

IT Governance



IT Governance is an integral part of enterprise governance and consists of the leadership and organizational structures and processes that ensure that the organization's IT sustains and extends the organization's strategies and objectives. IT Governance systematically engages the Board members, executive management and underlying staff. The framework establishes a discipline used by the organization to measure transparent accountability of decisions, and ensures the traceability of decisions to assigned responsibilities. Well-structured IT Governance would assist in creating efficiencies, enhance conformity to internationally accepted best practices, improve overall IT performance and also enable better control and security.

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

- a. Directing the operations of Information and technology Services for efficient and smooth delivery of technology services;
- b. Integrating IT Strategy with Bank's Strategy;
- c. Encouraging technical innovation and the development of a robust and dependable technology infrastructure;
- d. Strengthening the IT Governance;
- e. Providing guidance, oversight, and strategic thinking on information technology;

- f. Setting the overall direction for IT Group to introduce and implement innovative technology solutions;
- g. Ensuring the availability of Bank's mission critical services are up running and active DR invocation mechanism at the time of disaster.

Information Technology Group (ITG) has been taken care by teams of committed professionals, providing innovative and efficient solutions to achieve and nurture strategic objectives and goals of Business as well as other support groups under the guidance of Board IT Committee (BITC) and management IT Steering Committee (ITSC).

Group is further be strengthened by following functions:

- a. IT Enterprise Infrastructure
- b. IT Operations
- c. IT Software Solutions
- d. IT Service Management
- e. Information Security
- f. Business Technology & IT Project Management Office (BT/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 endeavoring successful deliveries of major and critical "IT Projects". The function is mainly responsible for:

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

IT Compliance: An effective oversight to achieve compliance against regulatory instructions / guidelines is necessarily required so to fill the gaps, if any. The function is mainly responsible for;

- To conduct Risk Control Self Assessments (RCSA) for all entities in the IT Group (ITG) per approved framework in the Bank;
- To facilitate the auditing process as conducted by the Internal Audit, External Audit and Regulatory Inspection by the State Bank of Pakistan (SBP);
- To coordinate among the teams within and with the reviewing functions to fix the highlighted issues and to comply with the given recommendations accordingly;
- Maintain an internal MIS on the compliance status for tracking and reporting to ensure adequate monitoring at appropriate levels.

Whistle Blowing Policy

Preamble

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

Objectives

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

Scope

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

Protection of Whistle Blowers

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

The Bank does not tolerate harassment or victimization and takes action, which could involve disciplinary proceedings, to protect complainant when they raise a concern in good faith. Retaliation against a whistle blower is prohibited regardless of the outcome of the investigation.

Incentives for Whistle Blowing

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

Whistle Blowing Mechanism

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

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

Concerns and complaints received through these means are investigated and findings are shared with the senior management for their necessary action. These findings are also shared with the Audit Committee 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 2015 was 20.

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. Appropriate procedures are followed to ensure that all records/ documentation are carefully secured and retained. A Bank-wide initiative has been embarked for the implementation of these comprehensive guidelines.

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 ensure presence of operational mitigating controls. On the other side, 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

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

Materiality Approach

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

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

Risks:

Risk type	Materiality rating	Description	Plans and Strategies for Mitigating Risks & Capitalizing Opportunities
Capital adequacy risk	High	The risk that the Bank has insufficient capital or is unable to meet the statutory defined capital requirements.	<p>The Bank remains a well-capitalized institution with a capital base well above the regulatory limits and Basel-III requirements. The Bank regularly assesses the capital requirements and ensures that the minimum capital requirements specified by the Central Bank are adhered to. This includes stress testing under various scenarios. Quality of the capital is evident from Bank’s Tier-1 to total risk weighted assets ratio which comes to 16.77% against requirement of 7.5%.</p> <p>The Bank will continue the policy of sufficient profit retention to increase its risk taking capacity and capitalize opportunities to protect the interests of stakeholders.</p>
Liquidity risk	High	The risk that the Bank is unable to meet its financial liabilities as they fall due.	<p>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>Liquidity positions are regularly monitored through established Early Warning Indicators and Liquidity Risk Analysis on regular basis.</p> <p>MCB’s Liquidity Risk Management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure. 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 Basel prescribed 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>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>Organizational structure of this function ensures pre and post-facto management of credit risk. While, Credit Review function provides pre-fact evaluation of counter parties, the Credit Risk Control (CRC) performs post-fact monitoring of financing facilities, security documentation & monitoring clients as on ongoing basis.</p> <p>Bank has been selective in disbursing loan to good quality borrowers engaged in different businesses. 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, our lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that range from different development related works to utility distribution and production etc.</p>

Risk and Opportunity Report

Market risk	High	The risk arising from fluctuations in interest rates, foreign currency, credit spreads, equity prices, commodity prices and risk related factors such as market volatilities.	<p>Bank is exposed to market risks through its trading and other activities. A 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 measure and report the multi-dimensional aspects of market risk.</p> <p>A comprehensive structure, ensuring the bank does not exceed its qualitative and quantitative tolerance for market risk, is in place.</p> <p>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. The Bank will continue to pursue to have a risk return balanced portfolio to keep its market risk exposure in line within the approved risk limits.</p>
Operational risk	Medium	The risk of loss resulting from inadequate or failed processes, people, systems or from external events.	<p>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>Quarterly updates on Operational Risk events are presented to senior management and Board's risk committee.</p> <p>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. The bank has also implemented as Operational Risk Software to collect and maintain operational risk data on a bank wide basis.</p>
Regulatory risk	Medium	The risk arising from non-compliance with regulatory requirements, regulatory change or regulator expectations.	<p>Management of regulatory risk entails early identification and effective management of changes in legislative and regulatory requirements that may affect the Bank.</p> <p>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>Country-wise bank's exposure is monitored on regular basis. Country Exposure Limits are in place, which broadly capture direct exposure on sovereigns and exposures on foreign domiciled counter parties.</p> <p>Additionally, business product wise sub limits involving cross border exposure are also implemented & regularly monitored.</p>

Opportunities:

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

Stakeholder Engagement

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

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

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

Stakeholders	Reasons for engagement	Frequency of engagement	Methods of engagement
Employees	<ul style="list-style-type: none"> - To ensure that we remain an employer of choice by providing a safe, positive and inspiring working environment - To understand and respond the needs and concerns of our staff members - To educate our staff regarding strategic direction and to communicate the pertinent information relating to bank activities 	<ul style="list-style-type: none"> - Ongoing and daily engagement at all levels of the Bank - As and when required by staff members 	<p>In addition to the regular communication that takes place with direct managers and teams through a range of interactive channels, specific employees engagement include:</p> <ul style="list-style-type: none"> - Regular electronic and printed newsletters - Compliance letters - Annual conference - Strategy sessions - One Bank, One Team sessions with senior management
Customers	<ul style="list-style-type: none"> - To understand the growing financial services needs of our customers - To provide better solution and advice to our customers' financial requirements - To ensure accuracy of our customers respective information 	<ul style="list-style-type: none"> - Regular interaction of customers with our branch staff - Dependent on customers' specific requirements - Introduction / launching of New products 	<p>Interaction through our branches, relationship managers, call centers, social media, surveys and various advertising activities</p>
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

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

Abidance of Laws / Rules

- Conform to and abide by the Bank rules and policies and obey all lawful orders and directives which may from time to time be given by any person or persons under whose jurisdiction, superintendence or control, the persona will, for the time being, be placed. To undertake at all times compliance with and observation of all applicable laws, regulations and Bank policies, wherever the Bank operates.

Integrity

- Conduct the highest standards of ethics, professional integrity and dignity in all dealings with the public, customers, investors, employees, and government officials, State Bank of Pakistan and fellow Bankers and non-engagement in acts discreditable to the Bank, profession and nation
- In case of awareness of any breaches of laws and regulations, frauds and other criminal activities or other similar serious incidents that might affect the interests of the Bank, the same shall be informed to the senior management immediately, including any issue, which may pose a reputational risk
- Not use this policy to raise grievances or act in bad faith against colleagues.

Professionalism

- Serve the Bank honestly and faithfully and strictly serve the Bank affairs and the affairs of its constituents, use utmost endeavor to promote the interest and goodwill of the Bank and show courtesy and attention in all transactions/ correspondence with officers of Government, State Bank of Pakistan, other Banks & Financial Institutions, other establishments dealing with the Bank, the Bank constituents and the public.
- Disclose and assign to MCB all interest in any invention, improvement, discovery or work of authorship that may be made or conceived and which may arise out of the employment with MCB
- In case the employment is terminated, all rights to property and information generated or obtained as part of employment relationship will remain the exclusive property of MCB
- Comply with the laws and regulations on money laundering and fraud prevention and immediate reporting of all suspicions of money laundering as per the guidelines provided in KYC & AML Procedures Handbook for Management and Staff.
- Not to engage in any act of violation of KYC & AML guidelines given by State Bank of Pakistan and exercising of extreme vigilance in protecting MCB from being misused by anyone to launder money by violating these guidelines.
- Ensure that all customer complaints are resolved quickly, fairly and recorded appropriately.

Conflict of Interest

- Avoid all such circumstances in which there is personal interest conflict, or may appear to be in conflict, with the

interest of the Bank or its customers.

- In case of potential conflict of interest, the same should be declared immediately to senior management, action is taken to resolve and manage it in open manner and resolving the conflict of interest on their own would be avoided.
- Report to the Company Secretary about any sale and purchase of MCB shares (own or spouse) in case the annual basic salary exceeds Rs. 500,000/-.

Relatives and close friends

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

Political Participation

- Stand firmly against supporting the activities of any Group or individual that unlawfully threatens public order and safety.
- Not obtain membership of any political party, or take part in, subscribing in aid of, or assist in any way, any political movement in or outside of Pakistan or relating to the affairs of Pakistan.
- Not express views detrimental to the ideology, sovereignty or integrity of Pakistan.
- Not canvass or otherwise interfere or use influence in connection with or take part in any election as a candidate to a legislative/local body or issue an address to the electorate or in any manner announce or allowed to be announced publicly as a candidate or prospective candidate whether in Pakistan or elsewhere. However, the right to vote can be exercised.
- Not bring or attempt to bring political or other pressure/ influence directly or indirectly to bear on the authorities/ superior officers or indulge in derogatory pamphleteering, contribute, or write letters to the newspapers, anonymously or in own name contribute or appear in media, with an intent to induce the authority/ superior officers to act in a manner inconsistent with rules, in respect of any matter relating to appointment, promotion, transfer, punishment, retirement or for any other conditions of service of employment.

Financial Interest

- Not indulge in any of the following activities:
- Borrow money from or in any way place myself under pecuniary obligation to a broker or moneylender or anyone, including but not limited to any firm, company or person having dealings with the Bank.
- Buy or sell stock, shares or securities of any description without funds to meet the full cost in the case of purchase or scripts for delivery in the case of sale. However, a bona-fide investment of own funds in such stocks, shares and securities as wished can be made.
- Lend money in private capacity to a constituent of the

Code of Conduct

Bank or have personal dealings with a constituent in the purchase or sale of bills of exchange, Government paper or any other securities.

- Act as agent for an insurance company otherwise than as agent for or on behalf of the Bank.
- Be connected with the formation or management of a joint stock company or hold office of a director.
- Engage in any other commercial business or pursuit, either on own account or as agent for another or others.
- Accept or seek any outside employment or office whether stipendiary or honorary.
- Undertake part-time work for a private or public body or private person, or accept fee thereof.

Gift, Favors Etc.

- Not use the employment status to seek personal gain from those doing business or seeking to do business with MCB, nor accept such gain if offered.
- Not accept any gift, favors, entertainment or other benefit the size or frequency of which exceeds normal business contacts from a constituent or a subordinate employee of the Bank or from persons likely to have dealings with the Bank and candidates for employment in the Bank.
- Not accept any benefit from the estate of, or a trust created by a customer, or from an estate or trust of which a Bank Company or business unit is an executor, administrator or trustee.

Confidentiality

- Maintain the privacy and confidentiality (during the course of employment and after its termination for whatever reason), of all the information acquired during the course of professional activities and refrain from disclosing the same unless otherwise required by statutory authorities / law. All such information will remain as a trust and will only be used for the purpose for which it is intended and will not be used for the personal benefit of any individual(s).
- Not trade in relevant investments or indulge in giving tips to another person or dealing on behalf of relatives, friends or any other third parties, whilst in possession of non-public price sensitive information.
- Not disclose to a customer or customers or to any irrelevant quarter(s) that a suspicious transaction or related information is being reported for investigation unless any law enforcement agency requires any lawful information. (Only designated employee can reveal the facts to that particular agency with the approval of the relevant quarter)

Data Security

- Only access or update the system and data according to the authority given by the Bank. Any unauthorized access or updation will hold the person liable for a penal action by the Bank in accordance with HR policies.
- Not compromise access to system by communicating identification and /or passwords to others.

Communication / Contact with Media

- Be truthful in all advertisements and promotional efforts and to publish only accurate information about the Bank operations under valid authority as prescribed in the Bank policy.
- Not give any kind of confidential information or interview on behalf of the Bank or in official capacity in the print/ electronic media or have the photograph displayed or an act in television/stage plays or in cinema without having permission from the competent authority.

Speak Up

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

Customer Centricity

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

Business / Work Ethics

- Respect fellow colleagues and work as a team. To be, at all times, courteous and not to let any personal differences affect work.
- Treat every customer of the Bank with respect and courtesy.

Personal Responsibility

- Demonstrate commitment to the code through words and actions.
- Be responsible for data relating to official responsibilities and not to alter / modify / amend Bank record so as to obtain any personal benefits, attempt which in doing so shall hold the person liable to disciplinary action as per Bank policy.
- Safeguard as a personal responsibility, both the tangible and intangible assets of MCB and its customer(s) that are under personal control and not to use Bank assets for personal benefits except where permitted by MCB.
- Not use any Bank facilities including a car or telephone to promote trade union activities, or carry weapons into Bank premises unless so authorized by the management, or to carry on trade union activities during office hours, or subject Bank officials to physical harassment or abuse.
- Not indulge in any kind of harassment or intimidation whether committed by or against any senior/ junior, colleague, customer, vendor or visitor.
- Not use language, written or spoken in intra-office or communication(s) with individual(s) outside the office that

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

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

Punctuality

- Ensure attendance and punctuality and for any absence during working hours obtain written permission of the immediate supervisor.

Dress Code

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

International Travel

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

Work Environment

- Help in maintaining a healthy and productive work environment to meet the responsibilities to fellow employees, customers and investors, and not to get engaged in the selling, manufacturing, distributing, using any illegal substance or getting under the influence of illegal drugs while on the job.
- Ensure strict adherence to all policies of the Bank, as announced by the management from time to time and contribute utmost effort in maintaining a conducive work environment by meticulously adhering and ensuring adherence to Anti-Harassment and SHE (Safety, Health & Environment) Policies of the Bank.

Usage of Communication Tools

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

Reporting and Accountability

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

- Ensure facts are not misinterpreted pertaining to:
- Issuing an incorrect account statement / any other information for any customer or staff member.
- Placing a fake claim for reimbursement of any expenses.
- Unrecorded funds or assets of Bank in custody for any reason.
- Posting of false, artificial or misleading entries in the books or record of the Bank
- Intimate line management and HRM of any changes in the personal circumstances relating to employment or benefits.

Insider Trading

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

Statement on Internal Controls

Bank's internal control structure comprises the Board of Directors, Senior Management, Risk Management Group, Compliance & Controls Group, Audit & RAR Group 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 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 majority of key controls.

Concerted efforts are made by each 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, through its Regional Compliance Officers (RCOs) / centralized automated AML monitoring solution, also oversees adherence to the regulatory requirements, with specific emphasis on AML / CFT. In addition, CCG also leads the Management's Committee on AML-CFT for oversight of AML-CFT compliance w.r.t relevant regulations, policies and procedures.

The scope of Audit & RAR Group, independent from line management, inter-alia includes, review and assessment of the adequacy and effectiveness of the control activities across the Bank as well as evaluation of implementation of and compliance with all the 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 those of the regulators were addressed on priority by the management and their status was reported periodically to the Board's Audit Committee as well as Compliance Review & Monitoring Committee, which ensured that 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 Audit & RAR Group, Statutory Auditors as well as Regulators. Management Committee monitors the performance of sub-committees on annual basis.

In accordance with SBP directives and as stated earlier, the Bank has completed all stages of ICFR roadmap and Long Form Report (LFR) on the assessment of Bank's ICFR for the year 2014 issued by the statutory auditors has been submitted to SBP in compliance with directives in OSED Circular No.1 of 2014 dated February 07, 2014. None of the deficiencies identified are expected to have 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 strengthen its control environment on an ongoing basis.

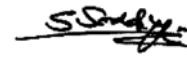
Based on the above, the Board of Directors has duly endorsed management's evaluation of internal controls including ICFR in the Directors' report.



Farid Ahmad
Group Head
Compliance and Controls



Kamran Zaffar Muggo
Group Head
Operations



Salman Zafar Siddiqi
Chief Financial Officer



Agha Saeed Khan
Group Head
Audit & Risk Assets Review

Statement of Compliance with the Code of Corporate Governance For the year ended December 31, 2015

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

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

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

Catagory	Director
Independent Director	Mr. Ahmad Alman Aslam
Non-Executive Directors	Mian Mohammad Mansha
Non-Executive Directors	Mr. S. M. Muneer
Non-Executive Directors	Mr. Shahzad Saleem
Non-Executive Directors	Mr. Sarmad Amin
Non-Executive Directors	Mr. Aftab Ahmad Khan
Non-Executive Directors	Mian Raza Mansha
Non-Executive Directors	Mian Umer Mansha
Non-Executive Directors	Mr. Dato' Seri Ismail Shahudin
Non-Executive Directors	Mr. Mohd Suhail Amar Suresh
Non-Executive Directors	Mr. Muhammad Ali Zeb
Executive Director	Mr. Imran Maqbool

The Independent Director meet the criteria of independence under clause i (b) of the CCG.

2. 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).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Election of the Board of Directors of the Bank was held on March 27, 2015, wherein, the present directors were re-elected. No casual vacancy occurred on the Board of Directors during the year; however, the CEO of the Bank was re-appointed on December 21, 2015.
5. The Bank has prepared a Code of Conduct for employees and Code of Conduct & Ethical Standards for Directors and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board has approved a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies, along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by the Vice Chairman or a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

Statement of Compliance with the Code of Corporate Governance For the year ended December 31, 2015

9. The Board members either have the prescribed education and experience as required for exemption from Directors' Training Program or have completed Directors' Training Program pursuant to clause xi of CCG, except for one Board member who will complete the Directors' Training Program in first quarter, 2016. Furthermore, appropriate arrangements were made by the Bank during the year 2015 for orientation of Directors to acquaint them with their duties and responsibilities.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and condition 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 is conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors



Mian Mohammad Mansha

Chairman

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of MCB Bank Limited, for the year ended December 31, 2015, to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Regulation No. 35 of the Karachi Stock Exchange, the Lahore Stock Exchange and the Islamabad Stock Exchange (now merged as Pakistan Stock Exchange), where the Bank is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2015.



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

Lahore
Dated: February 26, 2016

Report of the Audit Committee

The Audit Committee comprises four (4) non-executive directors including one Independent Director, being Chairman of the Audit Committee. The members of the Audit Committee are qualified professionals and possess enriched experience of working at the Boards & Senior Management levels of multinationals, operating in both banking and non-banking sectors. Moreover, the Chairman of the Audit Committee has four decades of professional experience in investment banking, corporate finance and advisory services. Chairman of the Audit Committee has served in 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. Another member is the fellow member of the Institute of Chartered Accountants of Pakistan (ICAP) and has over 50 years of diversified professional experience in various sectors.

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

Audit Committee remained actively engaged in the review of the Bank's financial statements as well as audit activities in accordance with the requirements of Code of Corporate Governance and that of Charter of the Audit Committee, duly approved by the Board of Directors. Audit Committee held five (5) meetings, during the year 2015, 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 and recommendation of the Bank's revised Internal Audit Policy and Internal Audit Manual including incorporation of State Bank's Shari'ah Governance Framework requirements; and the Whistle Blowing Program for BOD approval.
- 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, approval and oversight of Annual Audit Plan and related enablers / budget along with resource requirements of 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 thereof.
- Review & approval of Audit Group's increments, bonuses, promotions and President's award nomination for high achievers.
- Review of Quality Assurance & Functional Performance Report of Audit & RAR Group issued by External Assessors and oversight of progress on action plan formulated to implement the recommendations of the Report.
- Review & recommendation to the Board for appointment of new Group Head - Audit & RAR.
- Review & recommendation for determination of Level of Materiality under Code of Corporate Governance.
- Recommendation of scope and appointment of external auditors, including finalization of audit and consultancy fee. Audit Committee further ensured coordination between internal and external auditors.
- Monitoring of compliance status of observations highlighted in SBP inspection reports.
- Review of statement on Internal Control Systems, prior to endorsement by the BOD.

Report of the Audit Committee

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, 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 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 SBP through the Guidelines on Internal Controls.

The scope of Audit & RAR Group, independent from line management, inter-alia includes, review and assessment of the adequacy and effectiveness of the control activities across the Bank, as well as implementation of and compliance with all the prescribed policies and procedures. All significant and material findings of the internal audit 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.



Ahmad Alman Aslam
Chairman Audit Committee
MCB Bank Limited

Lahore

Dated: February 09, 2016



Bank for Life

LIFE
STAYS
BEAUTIFUL

UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015


Auditors' Report To The Members

We have audited the annexed unconsolidated statement of financial position of MCB Bank Limited as at December 31, 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for fifty branches which have been audited by us and 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 management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

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

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purpose of our audit;
- (b) in our opinion:
 - (i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2015 and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



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

Lahore
Dated: February 26, 2016

Unconsolidated Statement of Financial Position

As at December 31, 2015

	Note	2015	2014
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	61,208,938	46,753,804
Balances with other banks	7	3,681,893	3,015,624
Lendings to financial institutions	8	5,132,480	1,418,181
Investments - net	9	568,802,508	511,137,192
Advances - net	10	314,124,939	303,559,480
Operating fixed assets	11	32,432,650	31,192,588
Deferred tax assets - net		-	-
Other assets - net	12	31,246,245	37,554,615
		1,016,629,653	934,631,484
LIABILITIES			
Bills payable	14	11,975,237	16,627,700
Borrowings	15	118,459,448	59,542,861
Deposits and other accounts	16	708,091,171	688,329,520
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	17	11,376,589	10,397,100
Other liabilities	18	28,926,802	29,630,241
		878,829,247	804,527,422
NET ASSETS		137,800,406	130,104,062
Represented by			
Share capital	19	11,130,307	11,130,307
Reserves	20	51,309,081	48,830,005
Unappropriated profit		50,464,155	46,947,863
		112,903,543	106,908,175
Surplus on revaluation of assets - net of tax	21	24,896,863	23,195,887
		137,800,406	130,104,062
Contingencies and commitments	22		

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



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
Mark-up / return / interest earned	24	80,532,228	77,268,988
Mark-up / return / interest expensed	25	31,210,389	33,756,685
Net mark-up / interest income		49,321,839	43,512,303
Provision / (reversal) for diminution in the value of investments - net	9.3	831,369	(847,151)
Provision / (reversal) against loans and advances - net	10.5.2	(288,195)	(1,093,906)
Bad debts written off directly	10.6.1	67	20
		543,241	(1,941,037)
Net mark-up / interest income after provisions		48,778,598	45,453,340
Non mark-up / interest income			
Fee, commission and brokerage income		8,382,960	7,225,093
Dividend income		1,266,530	1,060,729
Income from dealing in foreign currencies		949,687	1,443,180
Gain on sale of securities - net	26	4,432,138	1,650,498
Unrealized gain / (loss) on revaluation of investments classified as held for trading	9.5	(4,392)	(2,273)
Other income	27	2,087,794	1,566,475
Total non mark-up / interest income		17,114,717	12,943,702
		65,893,315	58,397,042
Non mark-up / interest expenses			
Administrative expenses	28	22,476,318	20,611,649
Other provision / (reversal) - net	12.3	155,240	76,935
Other charges	29	928,495	979,011
Total non mark-up / interest expenses		23,560,053	21,667,595
Extra ordinary / unusual item		-	-
Profit before taxation		42,333,262	36,729,447
Taxation - Current year		14,447,371	11,920,022
- Prior years		1,906,156	-
- Deferred		428,745	484,669
	30	16,782,272	12,404,691
Profit after taxation		25,550,990	24,324,756
Unappropriated profit brought forward		46,947,863	40,552,043
Transfer from surplus on revaluation of fixed assets - net of tax		48,875	47,629
		46,996,738	40,599,672
Profit available for appropriation		72,547,728	64,924,428
Basic and diluted earnings - after tax	Rupees per share	22.96	21.85

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



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
Profit after tax for the year	25,550,990	24,324,756
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans - net of tax	(1,719,982)	139,526
Items that may be reclassified to profit and loss account		
Effect of translation of net investment in foreign branches	(76,023)	(203,685)
Comprehensive income transferred to equity	23,754,985	24,260,597
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	3,319,045	15,920,182
Deferred tax	(1,480,499)	(5,635,929)
	1,838,546	10,284,253
Total Comprehensive income	25,593,531	34,544,850

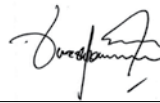
The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
Cash flows from operating activities			
Profit before taxation		42,333,262	36,729,447
Less: Dividend income		(1,266,530)	(1,060,729)
		41,066,732	35,668,718
Adjustments for non-cash charges			
Depreciation	11.2	2,037,048	1,724,216
Amortization	11.3	381,334	359,734
Provision / (reversal) against loans and advances - net	10.5.2	(288,195)	(1,093,906)
Provision / (reversal) for diminution in the value of investments - net	9.3	831,369	(847,151)
Other provision / (reversal) - net	12.3	155,240	76,935
Bad debts written off directly	10.6.1	67	20
Provision for Workers' Welfare Fund	29	846,665	734,589
Charge / (reversal) for defined benefit plan - net	28	(447,691)	(413,543)
Unrealized (gain) / loss on revaluation of investments classified as held for trading	9.5	4,392	2,273
Gain on sale of shares in associate		(224,748)	-
Gain on disposal of fixed assets - net	27	(136,283)	(31,120)
		3,159,198	512,047
		44,225,930	36,180,765
(Increase) / decrease in operating assets			
Lendings to financial institutions		(3,714,299)	(193,543)
Net investments in 'held for trading' securities		(317,152)	(52,330)
Advances - net		(10,277,331)	(54,222,629)
Other assets - net		4,148,739	(12,150,909)
		(10,160,043)	(66,619,411)
Increase / (decrease) in operating liabilities			
Bills payable		(4,652,463)	6,488,974
Borrowings		58,762,142	21,284,080
Deposits and other accounts		19,761,651	55,999,234
Other liabilities		(2,425,532)	9,157,104
		71,445,798	92,929,392
		105,511,685	62,490,746
Defined benefits paid		(357,224)	(603,308)
Income tax paid		(15,952,216)	(9,035,362)
Net cash flows from operating activities		89,202,245	52,852,076
Cash flows from investing activities			
Net investments in 'available for sale' securities		(38,729,805)	(44,716,104)
Net investments in 'held to maturity' securities		(5,915,580)	(597,679)
Investment in subsidiary companies		(10,269,280)	-
Proceeds from divestment in associate		274,533	-
Dividends received		1,262,739	1,060,790
Investments in operating fixed assets		(3,862,117)	(4,757,264)
Sale proceeds of property and equipment disposed off		247,651	107,184
Net cash flows from investing activities		(56,991,859)	(48,903,073)
Cash flows from financing activities			
Dividend paid		(17,167,405)	(15,175,107)
Net cash flows from financing activities		(17,167,405)	(15,175,107)
Exchange differences on translation of the net investment in foreign branches		(76,023)	(203,685)
Increase/ (decrease) in cash and cash equivalents		14,966,958	(11,429,789)
Cash and cash equivalents at beginning of the year		49,128,268	61,372,069
Effects of exchange rate changes on cash and cash equivalents		299,067	(514,945)
		49,427,335	60,857,124
Cash and cash equivalents at end of the year	34	64,394,293	49,427,335

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



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2015

	Share capital	Capital Reserves			Statutory reserve	Revenue Reserves		Total
		Reserve for issue of bonus shares	Share premium	Exchange translation reserve		General reserve	Unappropriated profit	
(Rupees in '000)								
Balance as at December 31, 2013	10,118,461	-	9,702,528	598,192	17,700,494	18,600,000	40,552,043	97,271,718
Profit after taxation for the year ended December 31, 2014	-	-	-	-	-	-	24,324,756	24,324,756
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	139,526	139,526
Exchange differences on translation of net investment in foreign branches	-	-	-	(203,685)	-	-	-	(203,685)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	47,629	47,629
Transferred to statutory reserve	-	-	-	-	2,432,476	-	(2,432,476)	-
Transfer to reserve for issue of bonus shares	-	1,011,846	-	-	-	-	(1,011,846)	-
Issue of bonus shares - December 2013	1,011,846	(1,011,846)	-	-	-	-	-	-
Final cash dividend - December 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)
Interim cash dividend - March 2014	-	-	-	-	-	-	(3,339,092)	(3,339,092)
Interim cash dividend - June 2014	-	-	-	-	-	-	(3,895,608)	(3,895,608)
Interim cash dividend - September 2014	-	-	-	-	-	-	(3,895,608)	(3,895,608)
Balance as at December 31, 2014	11,130,307	-	9,702,528	394,507	20,132,970	18,600,000	46,947,863	106,908,175
Profit after taxation for the year ended December 31, 2015	-	-	-	-	-	-	25,550,990	25,550,990
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)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	48,875	48,875
Transferred to statutory reserve	-	-	-	-	2,555,099	-	(2,555,099)	-
Final cash dividend - December 2014	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend - March 2015	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend - June 2015	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend - September 2015	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Balance as at December 31, 2015	11,130,307	-	9,702,528	318,484	22,688,069	18,600,000	50,464,155	112,903,543

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

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



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

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 (2014: 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 1,246 branches including 34 Islamic banking branches (2014: 1,222 branches including 27 Islamic banking branches) within Pakistan and 11 branches (2014: 10 branches) outside the country (including the Karachi Export Processing Zone branch).

2. BASIS OF PRESENTATION

- 2.1 These financial statements represent separate financial statements of MCB Bank Limited. The consolidated financial statements of the Group are being issued separately.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.
- 2.3 The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these financial statements.
- 2.4 For the purpose of translation, rates of Rs. 104.7410 per US Dollar (2014: Rs. 100.4831) and Rs. 0.7271 per LKR (2014: Rs.0.7659) have been used.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified

under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions and directives given in Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as 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 January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the 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.

The State Bank of Pakistan through PRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IFIS). The standard will result in certain new disclosures in the financial statements of the Bank.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

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, 2015:

- IAS 27 Separate financial statements (Amendments)
- IFRS 11 'Joint Arrangements
- IFRS 12 'Disclosure of interests in other entities (Amendments)
- IFRS 13 - Fair value measurement

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 01, 2015 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 01, 2016:

	Effective date (accounting periods beginning on or after)
• IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
• IFRS 15, 'Revenue from contracts'	January 01, 2018
• IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
• IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	January 01, 2016
• IFRS 11 Joint Arrangements-Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
• IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
• IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
• IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
• IAS 27–Separate Financial Statements–Equity Method in Separate Financial Statements (Amendment)	January 01, 2016
• Annual improvements 2014; IFRS 5, 'Non-current assets held for sale and discontinued operations'. IFRS 7, 'Financial instruments: disclosures'. IAS 19, 'Employee benefits'. IAS 34, 'Interim financial reporting'	January 01, 2016

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 01, 2016 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 financial statements have been prepared under the historical cost convention except that certain classes of fixed assets are stated at revalued amounts and certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value.

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 in note 39 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 financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification of investments

In classifying investments, the Bank follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.

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- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in notes 10.5.

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

f) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting

Estimates and Errors". Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in Note 36 of these financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Investments

The Bank classifies its investments as follows:

a) Held for trading

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

b) Held to maturity

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

c) Available for sale

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

Investments are initially recognized at cost which in case of investments other than 'held for trading' include transaction costs associated with the investment.

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

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

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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 audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Associates are all entities over which the Group has significant influence but not control. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. Investments in subsidiaries and investments in associates are carried at cost less accumulated impairment losses, if any.

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

5.2 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

5.3 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Advances are written off when there is no realistic prospect of recovery.

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an

asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

5.4 Operating fixed assets and depreciation

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

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

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

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

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

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

5.4.1 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the

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month when these assets are available for use, using the straight line method, whereby the cost of the intangible assets are amortized over its estimated useful lives over which economic benefits are expected to flow to the Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

5.4.2 Leases (Ijarah)

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

5.5 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

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
- (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

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expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.8 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

5.9 Foreign currencies

5.9.1 Foreign currency transactions

Transactions in foreign currencies other than the results of foreign operations discussed in note 5.9.2 are translated to Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities.

5.9.2 Foreign operations

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

5.9.3 Translation gains and losses

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

net investment, at which time these are recognised in the profit and loss account.

5.9.4 Commitments

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

5.10 Acceptances

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

5.11 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP) or as permitted by the regulations of the overseas regulatory authorities of countries where the branches operate. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.
- Ijarah income is recognized on an accrual basis as and when the rental becomes due.
- Commission income is recognized on a time proportion basis.
- Dividend income is recognized when the Bank's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account currently.

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5.12 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

5.13 Assets acquired in satisfaction of claims

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

5.14 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn Nostro balances) in current and deposit accounts.

5.15 Financial instruments

5.15.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments (excluding investment in associates and subsidiaries), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

5.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

5.15.3 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

5.16 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

5.17 Segment reporting

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

5.17.1 Business segments

Corporate Finance

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

Trading and Sales

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

Retail and Consumer Banking

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

Commercial Banking

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

5.17.2 Geographical segments

The Bank operates in three geographic regions being:

- Pakistan
- South Asia
- Middle East

5.18 Dividend distribution and appropriation

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

5.19 Earnings per share

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

Notes to and forming part of the Unconsolidated Financial Statements

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	Note	2015	2014
		(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	6.1	13,752,494	11,140,314
foreign currencies		2,656,764	2,270,311
With State Bank of Pakistan (SBP) in:			
Local currency current account	6.2	21,981,591	11,023,747
Foreign currency current account	6.3	38,766	170,097
Foreign currency deposit account	6.2	6,003,817	5,854,648
With other central banks in foreign currency current account	6.2	2,330,468	555,728
With National Bank of Pakistan in local currency current account		14,445,038	15,738,959
		<u>61,208,938</u>	<u>46,753,804</u>

6.1 This includes national prize bonds amounting to Rs. 172.510 million (2014: Rs. 122.066 million).

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

6.3 This represents US Dollar settlement account maintained with SBP.

	Note	2015	2014
		(Rupees in '000)	
7. BALANCES WITH OTHER BANKS			
Outside Pakistan			
- current account		2,167,129	2,205,658
- deposit account	7.1	1,514,764	809,966
		<u>3,681,893</u>	<u>3,015,624</u>

7.1 Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 0.40% to 2.45% per annum (2014: 0.90% to 2.50% per annum).

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	Note	2015	2014
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1 & 8.2	2,795,034	382,950
Repurchase agreement lendings	8.2 & 8.3	72,710	1,035,231
Bai Muajjal	8.4	2,264,736	-
		5,132,480	1,418,181
8.1 Particulars of lendings			
In local currency		3,264,736	1,000,000
In foreign currencies		1,867,744	418,181
		5,132,480	1,418,181

8.2. These carry mark up rates ranging from 0.25% to 6.40% per annum (2014 : 5% to 10.35%).

8.3 Securities held as collateral against lendings to financial institutions

	2015			2014		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	72,710	-	72,710	1,035,231	-	1,035,231
	72,710	-	72,710	1,035,231	-	1,035,231

8.4 This represents outright purchase of GOP Ijara Sukuk (GIS) on deferred payment basis (Bai-Muajjal) at returns of 5.99% per annum.

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For the year ended December 31, 2015

9. INVESTMENTS - NET

9.1 Investments by types

Note	2015			2014		
	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	158,254	-	158,254	52,330	-	52,330
- Pakistan Investment Bonds	208,955	-	208,955	-	-	-
9.5	367,209	-	367,209	52,330	-	52,330
Available-for-sale securities						
- Market Treasury Bills	142,133,654	82,946,230	225,079,884	113,790,156	25,908,740	139,698,896
- Pakistan Investment Bonds	279,729,700	-	279,729,700	328,986,586	-	328,986,586
- Shares in listed companies	16,693,858	-	16,693,858	11,887,621	-	11,887,621
- Shares in unlisted companies	205,948	-	205,948	206,027	-	206,027
- NIT units	5,253	-	5,253	5,253	-	5,253
- Sukuk Bonds	1,946,634	-	1,946,634	3,715,236	-	3,715,236
- Term Finance Certificates (TFCs)	498,800	-	498,800	930,653	-	930,653
	441,213,847	82,946,230	524,160,077	459,521,532	25,908,740	485,430,272
Held-to-maturity securities						
- Market Treasury Bills	2,064,940	63,608	2,128,548	1,780,611	58,441	1,839,052
- Pakistan Investment Bonds	103,097	-	103,097	-	-	-
- Provincial Government Securities	118	-	118	118	-	118
- Sukuk Bonds	1,313,007	-	1,313,007	244,489	-	244,489
- Euro Bonds	2,757,628	-	2,757,628	2,283,917	-	2,283,917
- Term Finance Certificates (TFCs), Debentures, Bonds and Others	6,271,422	-	6,271,422	3,516,856	-	3,516,856
- Certificates of deposit	941,031	-	941,031	-	-	-
- Certificates of Investment	285,161	-	285,161	-	-	-
	13,736,404	63,608	13,800,012	7,825,991	58,441	7,884,432
Subsidiaries						
- MNET Services (Private) Limited	49,975	-	49,975	49,975	-	49,975
- MCB Islamic Bank Limited	10,000,000	-	10,000,000	-	-	-
- MCB Trade Services Limited	-	-	-	77	-	77
- MCB - Arif Habib Savings & Investments Limited	320,123	-	320,123	320,123	-	320,123
- MCB Leasing Closed Joint Stock Company	448,189	-	448,189	178,832	-	178,832
- MCB Financial Services Limited	27,500	-	27,500	27,500	-	27,500
	10,845,787	-	10,845,787	576,507	-	576,507
Associates						
- Adamjee Insurance Company Limited	893,815	-	893,815	943,600	-	943,600
- Euronet Pakistan (Private) Limited	52,521	-	52,521	52,521	-	52,521
	946,336	-	946,336	996,121	-	996,121
Investments at cost						
	467,109,583	83,009,838	550,119,421	468,972,481	25,967,181	494,939,662
Less: Provision for diminution in value of investments	(2,534,177)	-	(2,534,177)	(1,702,808)	-	(1,702,808)
	464,575,406	83,009,838	547,585,244	467,269,673	25,967,181	493,236,854
Investments (net of provisions)						
Surplus / (Deficit) on revaluation of available for sale securities - net	21,222,399	(743)	21,221,656	17,915,048	(12,437)	17,902,611
Surplus / (Deficit) on revaluation of 'held for trading' securities - net	(4,392)	-	(4,392)	(2,273)	-	(2,273)
Investments at revalued amounts - net of provisions						
	485,793,413	83,009,095	568,802,508	485,182,448	25,954,744	511,137,192

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	Note	2015	2014
		(Rupees in '000)	
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills		225,079,884	139,698,896
- Pakistan Investment Bonds		280,041,752	328,986,586
- Euro Bonds		2,757,628	2,283,917
- Sukuk Bonds		1,946,634	3,715,236
Overseas Government Securities			
- Market Treasury Bills - Sri Lanka		2,128,548	1,839,052
- Development Bonds - Sri Lanka		2,207,865	607,880
Provincial Government Securities		118	118
Subsidiaries and Associated Undertakings		11,792,123	1,572,628
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas		16,788,827	11,876,666
- Unlisted companies / funds		205,948	206,027
Fully Paid-up Preference Shares:			
- Listed Companies		63,285	63,285
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates		2,281,548	1,445,050
- Unlisted Term Finance Certificates		1,513,439	1,789,213
- Commercial Papers		-	203,150
- Debentures, Bonds and Participation Term Certificates (PTCs)		767,370	402,216
Other Investments:			
- Sukuk Bonds		1,313,007	244,489
- Certificates of deposit		941,031	-
- Certificates of Investment		285,161	-
- NIT Units		5,253	5,253
Total investments at cost		550,119,421	494,939,662
Less: Provision for diminution in the value of investments	9.3	(2,534,177)	(1,702,808)
Investments (net of provisions)		547,585,244	493,236,854
Surplus on revaluation of available for sale securities - net	21.2	21,221,656	17,902,611
Deficit on revaluation of held for trading securities - net	9.5	(4,392)	(2,273)
Investments at revalued amounts - net of provisions		568,802,508	511,137,192
9.3. Particulars of provision			
Opening balance		1,702,808	2,549,959
Charge during the year		1,212,052	4,829
Reversal on disposal of shares		(340,683)	(491,342)
Reversal made during the year		(40,000)	(360,638)
		831,369	(847,151)
Closing balance		2,534,177	1,702,808
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Listed shares / Certificates / Units		2,354,198	1,502,571
Unlisted shares		78,191	77,070
		2,432,389	1,579,641
Held-to-maturity securities			
Unlisted TFCs, Debentures, Bonds and Participation Term Certificates		101,788	123,167
		2,534,177	1,702,808

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

9.4 Quality of 'available for sale' securities

	Note	2015		2014	
		Market value	Credit rating	Market value	Credit rating
		(Rupees in '000)		(Rupees in '000)	
Market Treasury Bills	9.4.1	225,154,457	Unrated	139,647,839	Unrated
Pakistan Investment Bonds	9.4.1	300,497,023	Unrated	344,862,268	Unrated
Listed Term Finance Certificates					
Askari Bank Limited		-	-	244,695	AA-
Bank Alfalah Limited		506,645	AA-	516,380	AA-
Allied Bank Limited		-	-	180,618	AA
		506,645		941,693	
Shares in Listed Companies					
Aisha Steel Mills Limited - preference shares		1,392	Not available	1,231	A- & A2
Allied Bank Limited		454,842	AA+ & A1+	-	-
Altern Energy Limited		-	Not available	31	Not available
Archroma Pakistan Limited		58,776	Not available	72,826	Not available
Attock Petroleum Limited		453,863	Not available	556,024	Not available
Attock Refinery Limited		281,016	AA & A1+	-	-
Bank Alfalah Limited		484,637	AA & A1+	513,451	AA & A1+
Bank Al-Habib Limited		563,889	AA+ & A1+	533,396	AA+ & A1+
The Bank of Punjab		95,973	AA- & A1+	38	AA- & A1+
Bestway Cement Limited		22,051	AA- & A1+	-	-
Cherat Cement Company Limited		183,877	A & A1	-	-
Clover Pakistan Limited		11,296	Not available	-	-
Dawood Hercules Corporation Limited		333,437	AA- & A1+	-	-
Dolmen City REIT		170,390	Not available	-	-
Engro Corporation Limited		287,772	AA & A1+	215,131	AA- & A1+
Engro Fertilizers Limited		499,564	AA- & A1+	272,374	A+ & A1
Fatima Fertilizer Company Limited		-	AA- & A1+	346,021	AA- & A1+
Fauji Cement Company Limited		437,219	Not available	13	Not available
Fauji Fertilizer Bin Qasim Company Limited		18,965	Not available	629,594	Not available
Fauji Fertilizer Company Limited		1,218,391	Not available	864,588	Not available
Faysal Bank Limited		199,795	AA & A1+	-	-
Fecto Cement Limited		218,139	Not available	-	-
Ferozsons Laboratories Limited		202,009	Not available	-	-
First Capital Mutual Fund		81	2-Star	-	-
GlaxoSmithkline Pakistan Limited		-	Not available	480,947	Not available
Habib Metropolitan Bank Limited		198,832	AA+ & A1+	356,084	AA+ & A1+
Honda Atlas Cars (Pakistan) Limited		114,524	Not available	-	-
Hum Network Limited		181,969	A+ & A1	-	-
IGI Insurance Limited		99,000	AA	572,921	AA
International Steels Limited		110,919	Not available	115,289	Not available
K-Electric Limited		363,042	AA- & A1	27,660	A+ & A2
Kohat Cement Company Limited		289	Not available	141,816	Not available
Kot Addu Power Company Limited		965,642	AA+ & A1+	1,111,909	AA+ & A1+
Maple Leaf Cement Factory Limited		124,586	A & A1	-	-
Masood Textile Mills Limited - preference shares		50,000	Not available	50,000	Not available
Murree Brewery Company Limited		3,646	Not available	4,024	Not available
National Bank of Pakistan		374,821	AAA & A1+	428,950	AAA & A1+
National Foods Limited		4,422	AA- & A1	5,527	AA- & A1
National Refinery Limited		37,022	AA+ & A1+	97,582	AA+ & A1+
Nestle Pakistan Limited		484	Not available	98,116	Not available
NetSol Technologies Limited		-	Not available	70,368	Not available
* Next Capital Limited		14,216	A- & A2	11,213	Not available
Oil & Gas Development Company Limited		249,962	Not available	48	AAA & A1+
Pak Elektron Limited		275,708	A & A1	149,681	A- & A2
Balance carried forward		9,366,458		7,726,853	

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

Note	2015		2014		
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating	
Balance brought forward	9,366,458		7,726,853		
Pakistan Oilfields Limited	467,131	Not available	262,439	Not available	
Pakistan Petroleum Limited	266,120	Not available	365,258	Not available	
Pakistan State Oil Company Limited	314,955	AA & A1+	14,460	AA+ & A1+	
Pakcem Limited	153,721	A- & A2	472,735	BB+ & B	
Packages Limited	384,949	AA & A1+	-	-	
Pakistan International Bulk Terminal Limited	68,680	Not available	-	-	
Pakistan National Shipping Corporation	146,423	AA- & A1+	-	-	
Pakistan Reinsurance Company Limited	189,323	Not available	-	-	
Pakistan Telecommunication Company Limited	255,018	Not available	56,193	Not available	
Pioneer Cement Limited	205,889	Not available	-	-	
Rafhan Maize Products Limited	457,088	Not available	290,929	Not available	
Saif Power Limited	458,844	A+ & A1	292,942	A+ & A1	
Samba Bank Limited	-	-	1	AA- & A1	
Searle Pakistan Limited	-	-	158,067	BBB & A-3	
Siemens Pakistan Engineering Company Limited	10,152	Not available	12,573	Not available	
** Sui Northern Gas Pipelines Limited	1,014,363	AA- & A1	1,582,690	AA & A1+	
Treet Corporation Limited	146,980	Not available	-	-	
* Trust Securities & Brokerage Limited	1,032	Not available	1,254	Not available	
Unilever Pakistan Foods Limited	5,159	Not available	7,699	Not available	
United Bank Limited	592,050	AA+ & A1+	684,788	AA+ & A1+	
Zulfiqar Industries Limited	2,739	Not available	3,490	Not available	
	14,507,074		11,932,371		
Closed Ended Mutual Fund					
PICIC Growth Fund	-		407,958	Not available	
PICIC Investment Fund	211,438	Not available	158,643	Not available	
	211,438		566,601		
Shares in Un-listed Companies	9.4.2				
* National Investment Trust Limited	100	AM2	100	AM2-	
* SME Bank Limited	2,771	BB & B	3,892	BBB- & A3	
First Capital Investment (Private) Limited	2,500	AM4+	2,500	AM4+	
First Women Bank Limited	63,300	BBB+ & A2	63,300	BBB+ & A2	
Pak Asian Fund	11,500	Not available	11,500	Not available	
* Pakistan Agro Storage and Services corporation	2,500	Not available	2,500	Not available	
* Arabian Sea Country Club	-	Not available	-	Not available	
* Central Depository Company of Pakistan Limited	10,000	Not available	10,000	Not available	
* National Institutional Facilitation Technologies (Private) Limited	1,526	Not available	1,526	Not available	
Society for Worldwide Inter Fund Transfer (SWIFT)	1,738	Not available	1,738	Not available	
* Islamabad Stock Exchange Limited	30,346	Not available	30,346	Not available	
Lanka Clearing (Private) Limited	727	Not available	766	Not available	
Lanka Financial Services Bureau Limited	727	Not available	766	Not available	
Credit Information Bureau of Sri Lanka	22	Not available	23	Not available	
	127,757		128,957		
Other Investment					
Sukuk Bonds	9.4.1	1,937,955	Unrated	3,666,210	Unrated
N.I.T. Units		6,995	AM2-	7,303	AM2-
		<u>542,949,344</u>		<u>501,753,242</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.

** This includes 37.292 million shares having market value of Rs. 896.488 million (2014: 37.292 million shares valuing Rs. 1,070.639 million) which are held as strategic investment by the Bank.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

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

	Unrealized gain /(loss)		Cost	
	2015	2014	2015	2014
	(Rupees in '000)			
Investee Company				
Attock Refinery Limited	278	-	9,892	-
The Bank of Punjab	(412)	-	18,832	-
Dewan Cement Limited	-	(260)	-	4,241
Engro Corporation Limited	100	-	12,472	-
Engro Foods Limited	(39)	-	6,269	-
Hascol Petroleum Limited	-	(737)	-	19,262
Hum Network Limited	(59)	-	381	-
International Industries Limited	-	(114)	-	6,161
International Steel Limited	(2,293)	-	23,945	-
K-Electric Limited	(1,210)	-	55,794	-
Pakistan State Oil Corporation Limited	(1,057)	-	30,669	-
Searle Pakistan Limited	-	(862)	-	18,178
United Bank Limited	-	(300)	-	4,488
Pakistan Investment Bonds	300	-	208,955	-
	<u>(4,392)</u>	<u>(2,273)</u>	<u>367,209</u>	<u>52,330</u>

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

9.7 During the year, MCB Bank has made further capital injection of Rs. 269.356 Million in its subsidiary company, MCB Leasing "Closed Joint Stock Company". The Bank has wound up its wholly owned subsidiary i.e. MCB Trade Services in 2015.

9.8 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 893.815 million (2014: Rs. 943.600 million) as at December 31, 2015. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2015 amounted to Rs. 5,457.279 million (2014: Rs. 5,042.493 million).

9.9 Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2014: Rs. 232.60 million) earmarked by the SBP and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2014: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.

9.10 The Bank incorporated MCB Islamic Bank Limited (MCBIBL), a wholly owned subsidiary, with an authorized share capital of Rs. 15 Billion in 2014. During the year, the Bank has 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 of the Bank's domestic Islamic Banking operations referred in Annexure II subject to approval by the Bank's shareholders and sanction by the Honourable Lahore High Court whereunder, after requisite approvals, the assets, rights, liabilities and obligations of the Bank relating to domestic Islamic Banking operations will be transferred to and vested in MCB Islamic Bank Limited.

The Bank filed a petition in the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under section 284 to 288 of the Companies Ordinance, 1984. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on January 8, 2016.

Under the Scheme, from September 30, 2015 (the effective date) and until the date on which this Scheme becomes operative pursuant to the provisions of Article 14 of this Scheme, and is the date on which the assets, liabilities and operation of Islamic Banking Group of "MCB" are transferred to and vested in "MCBIBL" by virtue of and Order of the Court under section 287 (1) of the Companies Ordinance, 1984 (completion date), the domestic Islamic Business will be deemed to have been carried on by MCB for and on account and for the benefit of MCBIBL. On this basis, all profits and losses accruing or arising to or incurred by MCB Bank Limited through the operation of the domestic Islamic Business from the Effective Date (i.e. September 30, 2015) shall be treated as the profits or losses, as the case may be, of MCB Islamic Bank Limited. Domestic Islamic Banking Business of MCB has earned profit amounting to Rs 4.72 million from effective date to December 31, 2015.

The scheme, although operative from the effective date, shall take effect finally upon and from the date on which the last of the aforesaid sanctions or approvals or orders shall have been obtained, and such date shall be the completion date for the purpose of the scheme.

When the Scheme becomes effective, transfer to and vesting in MCB Islamic Bank Limited of the Islamic Business in accordance with the Scheme, will be treated as having taken effect from the Effective Date.

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

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		294,874,119	280,297,779
Outside Pakistan		15,953,412	13,976,672
		<u>310,827,531</u>	<u>294,274,451</u>
Islamic Financing and related assets	10.2	10,124,699	13,885,804
Net investment in finance lease	10.3		
In Pakistan		2,100,015	2,101,598
Outside Pakistan		87,243	92,758
		<u>2,187,258</u>	<u>2,194,356</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,168,459	4,406,599
Payable outside Pakistan		4,318,976	7,556,783
		<u>9,487,435</u>	<u>11,963,382</u>
Advances - gross		<u>332,626,923</u>	<u>322,317,993</u>
Provision against advances	10.5		
Specific provision		(17,848,909)	(18,149,201)
General provision		(332,614)	(322,307)
General provision against consumer loans & small enterprise loans		(284,400)	(254,595)
General provision by Sri Lanka operations		(36,061)	(32,410)
		<u>(18,501,984)</u>	<u>(18,758,513)</u>
Advances - net of provision		<u>314,124,939</u>	<u>303,559,480</u>
10.1 Particulars of advances (gross)			
10.1.1 In local currency		301,401,633	285,542,435
In foreign currencies		31,225,290	36,775,558
		<u>332,626,923</u>	<u>322,317,993</u>
10.1.2 Short-term		225,466,841	231,972,237
Long-term		107,160,082	90,345,756
		<u>332,626,923</u>	<u>322,317,993</u>
10.2 Islamic Financing and related assets	Annexure -II		
Islamic Financing		3,399,460	6,089,304
Inventories		4,841,213	6,526,434
Advance against Murabaha		238,217	1,036,720
Advance against Future Ijara		71,872	108,984
Advance against Diminishing Musharaka		1,423,937	124,362
Advance against Istisna		150,000	-
		<u>10,124,699</u>	<u>13,885,804</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

10.3 Net investment in finance lease

Description	2015				2014			
	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	137,775	1,023,154	1,473,207	2,634,136	250,185	1,112,811	1,348,872	2,711,868
Guaranteed residual value	13,858	32,953	4,479	51,290	20,901	36,245	2,243	59,389
Minimum lease payments	151,633	1,056,107	1,477,686	2,685,426	271,086	1,149,056	1,351,115	2,771,257
Finance charge for future periods	(18,119)	(116,804)	(363,245)	(498,168)	(29,387)	(161,441)	(386,073)	(576,901)
Present value of minimum lease payments	133,514	939,303	1,114,441	2,187,258	241,699	987,615	965,042	2,194,356

10.4 Advances include Rs. 20,369.225 million (2014: Rs. 21,907.791 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2015								
		Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)										
Other Assets Especially Mentioned (OAEM)	10.4.1	-	-	-	-	-	-	-	-	-
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
(Rupees in '000)										
Category of Classification	Note	2014								
		Class Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)										
Other Assets Especially Mentioned (OAEM)	10.4.1	50,405	-	50,405	3,477	-	3,477	3,477	-	3,477
Substandard		234,172	-	234,172	58,352	-	58,352	58,352	-	58,352
Doubtful		873,888	-	873,888	436,526	-	436,526	436,526	-	436,526
Loss		15,896,249	4,853,077	20,749,326	15,241,574	2,409,272	17,650,846	15,241,574	2,409,272	17,650,846
		17,054,714	4,853,077	21,907,791	15,739,929	2,409,272	18,149,201	15,739,929	2,409,272	18,149,201

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

Notes to and forming part of the unconsolidated Financial Statements

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Note	2015				Total	
	Specific	General	General provision consumer & SEs loans	General provision Srilanka Operations		
(Rupees in '000)						
10.5 Particulars of provision against advances						
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	10,307	29,805	5,293	2,271,691	
Reversals	(2,559,886)	-	-	-	(2,559,886)	
	(333,600)	10,307	29,805	5,293	(288,195)	
Amounts written off	10.6.1	(24,543)	-	-	(24,543)	
Closing balance		17,848,909	332,614	284,400	36,061	18,501,984

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

Note	2015			2014		
	Specific	General (Total)	Total	Specific	General (Total)	Total
(Rupees in '000)						
10.5.1 Particulars of provisions against advances						
In local currency	15,272,320	617,014	15,889,334	15,739,929	576,902	16,316,831
In foreign currencies	2,576,589	36,061	2,612,650	2,409,272	32,410	2,441,682
	17,848,909	653,075	18,501,984	18,149,201	609,312	18,758,513

Note	2015		2014	
	Specific	General (Total)	Specific	General (Total)
(Rupees in '000)				
10.5.2 The following amounts have been charged to the profit and loss account:				
Specific provision			(333,600)	(1,205,535)
General provision	10.5.3	10,307	10,307	54,447
General provision against consumer & Small Enterprise loans	10.5.5	29,805	29,805	53,241
General provision by Sri Lanka operations			5,293	3,941
			(288,195)	(1,093,906)

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

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

10.5.5 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision against Small Enterprise Finance represents provision maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

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

Notes to and forming part of the unconsolidated Financial Statements

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	Note	2015 (Rupees in '000)	2014
10.6 Particulars of write offs:			
10.6.1 Against provisions	10.5	24,543	20,854
Directly charged to the profit and loss account		67	20
		<u>24,610</u>	<u>20,874</u>
10.6.2 Write offs of Rs. 500,000 and above	10.6.3	22,700	17,672
Write offs of below Rs. 500,000		1,910	3,202
		<u>24,610</u>	<u>20,874</u>

10.6.3 Details of loan write offs of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2015 is given at Annexure- III. However, this write off does not affect the Bank's right to recover the debts from these customers.

	Note	2015 (Rupees in '000)	2014
10.7 Particulars of advances to directors, executives, associated companies, etc.			
Debits 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		3,567,212	3,702,503
Loans granted during the year		854,399	738,039
Repayments		(802,721)	(873,330)
Balance at end of the year		<u>3,618,890</u>	<u>3,567,212</u>
Debits due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		525,883	645,392
Loans granted during the year		-	627,390
Repayments		(248,271)	(746,899)
Balance at end of the year		<u>277,612</u>	<u>525,883</u>
		<u>3,896,502</u>	<u>4,093,095</u>
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	979,914	1,065,940
Property and equipment	11.2	30,729,566	29,432,205
Intangible asset	11.3	723,170	694,443
		<u>32,432,650</u>	<u>31,192,588</u>
11.1 Capital work-in-progress			
Civil works		125,899	129,757
Advances to suppliers and contractors		300,120	84,077
Others		553,895	852,106
		<u>979,914</u>	<u>1,065,940</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

11.2 Property and equipment

Description	2015								Annual Rate of depreciation /estimated useful life
	Cost/Revalued amount			Accumulated depreciation				Net Book value at December 31, 2015	
	At January 01, 2015	Additions/ (disposals)/ Exchange and other adjustments	Adjustment 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	9,071,066	598,919 (3,493) (3,220)	(10,315)	9,652,957	207,832	256,848 (1,499) (141)	463,040	9,189,917	upto 70 years
Buildings on leasehold land	49,270	56,796	-	106,705	2,794	4,086	6,924	99,781	upto 50 years
		639				44			
Leasehold Improvements	706,944	112,986 (5,143) (2,956)	-	811,831	469,377	159,568 (5,143) (872)	622,930	188,901	3 years
Furniture and fixture	1,204,643	108,603 (119,685) (650)	-	1,192,911	712,869	93,166 (119,445) (389)	686,201	506,710	10%
Electrical, Computers and office Equipment	9,943,320	1,331,135 (712,220) (4,634)	-	10,557,601	6,945,711	1,004,792 (708,791) (3,938)	7,237,774	3,319,827	10% to 25%
Vehicles	861,113	271,015 (112,105) (1,396)	-	1,018,627	412,311	101,863 (92,954) (707)	420,513	598,114	20%
Ijarah Assets									
Assets held under Ijarah - Car	1,228,537	346,608 (176,538)	-	1,398,607	290,502	250,722 (105,248)	435,976	962,631	20%
Assets held under Ijarah - Equipment	826,634	164,507 (114,459)	-	876,682	312,054	166,003 (99,242)	378,815	497,867	20%
	38,785,655	3,544,296 (1,243,690) (12,217)	(92,305)	40,981,739	9,353,450	2,037,048 (1,132,322) (6,003)	10,252,173	30,729,566	

11.2 Property and equipment

Description	2014								Annual Rate of depreciation /estimated useful life
	Cost/Revalued amount			Accumulated depreciation				Net Book value at December 31, 2014	
	At January 01, 2014	Additions/ (disposals)/ Exchange and other adjustments	At December 31, 2014	At January 01, 2014	Charge for the year/ (depreciation on disposals)/ exchange and other adjustments	At December 31, 2014			
(Rupees in '000)									
Land - Freehold	14,373,912	272,267	14,646,179	-	-	-	14,646,179	-	
Land - Leasehold	125,632	122,317	247,949	-	-	-	247,949	-	
Buildings on freehold land	7,289,486	1,784,842	9,071,066	-	207,849	207,832	8,863,234	upto 70 years	
		(3,262)			(17)				
Buildings on leasehold land	49,996	-	49,270	-	2,798	2,794	46,476	upto 50 years	
		(726)			(4)				
Leasehold Improvements	663,619	45,704	706,944	310,115	160,104	469,377	237,567	3 years	
		(2,379)			(842)				
Furniture and fixture	1,072,104	145,317 (11,192) (1,586)	1,204,643	628,341	95,420 (9,766) (1,126)	712,869	491,774	10%	
Electrical, Computers and office Equipment	8,369,575	1,647,225 (67,943) (5,537)	9,943,320	6,188,453	827,567 (66,121) (4,188)	6,945,711	2,997,609	10% to 25%	
Vehicles	742,585	179,769 (69,321) (1,920)	861,113	379,173	79,929 (45,279) (1,512)	412,311	448,802	20%	
Ijarah Assets									
Assets held under Ijarah - Car	750,029	570,416 (91,908)	1,228,537	144,970	190,162 (44,630)	290,502	938,035	20%	
Assets held under Ijarah - Equipment	563,369	354,931 (91,666)	826,634	231,837	160,387 (80,170)	312,054	514,580	20%	
	34,000,307	5,122,788 (322,030) (15,410)	38,785,655	7,882,889	1,724,216 (245,966) (7,689)	9,353,450	29,432,205		

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

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

	(Rupees in '000)
Total revalued amount of land	14,417,507
Total revalued amount of buildings	7,325,674

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2015 would have been as follows:

	(Rupees in '000)
Land	5,938,022
Buildings	6,712,787

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

Furniture and fixture	406,185
Electrical, computers and office equipment	5,517,742
Vehicles	493,145
Leasehold Improvements	409,787
Intangible asset	1,653,142

11.2.3 Details of disposal of operating fixed assets

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

11.3 Intangible asset

Description	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	2,667,642	410,410 (2,543)	3,075,509	1,973,199	381,334 (2,194)	2,352,339	723,170	3 - 7 years
	2,667,642	410,410 (2,543)	3,075,509	1,973,199	381,334 (2,194)	2,352,339	723,170	

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

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
12. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency		17,375,233	21,407,015
Income / mark-up accrued on advances and investments - foreign currencies		119,474	223,048
Accrued income, advances, deposits, and other prepayments		1,698,026	1,425,051
Advance taxation (payments less provisions)		2,795,547	3,196,861
Compensation for delayed income tax refunds		606,399	265,971
Non-banking assets acquired in satisfaction of claims	12.1	1,159,134	1,809,891
Unrealized gain on derivative financial instruments	12.2	449,550	862,138
Stationery and stamps on hand		84,787	39,142
Prepaid exchange risk fee		203	225
Receivable from the pension fund	36.3	5,656,386	7,263,254
Others		2,596,317	2,187,686
		<u>32,541,056</u>	<u>38,680,282</u>
Less: Provision held against other assets	12.3	1,294,811	1,125,667
		<u>31,246,245</u>	<u>37,554,615</u>

12.1 The market value of non-banking assets as per the valuation reports dated December 31, 2015 amounted to Rs. 1,203.499 million (2014: Based on valuation as of December 31, 2014 Rs. 2,039.087 million).

12.2 Unrealized gain on derivative financial instruments

	Contract / Notional Amount		Unrealized gain	
	2015	2014	2015	2014
(Rupees in '000)				
Unrealized gain on:				
FX Options	1,460,979	-	27,574	-
Forward exchange contracts	68,363,806	46,863,967	421,976	862,138
	<u>69,824,785</u>	<u>46,863,967</u>	<u>449,550</u>	<u>862,138</u>

	2015	2014
(Rupees in '000)		
12.3 Provision held against other assets		
Opening balance	1,125,667	1,081,715
Charge for the year	158,353	179,595
Reversal during the year	(3,113)	(102,660)
	155,240	76,935
Write off during the year	(7,382)	(8,774)
Exchange adjustments / reclassification	21,286	(24,209)
Closing balance	<u>1,294,811</u>	<u>1,125,667</u>

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2015 (2014: NIL).

	2015	2014
(Rupees in '000)		
14. BILLS PAYABLE		
In Pakistan	11,768,810	16,500,957
Outside Pakistan	206,427	126,743
	<u>11,975,237</u>	<u>16,627,700</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

	Note	2015	2014
		(Rupees in '000)	
15. BORROWINGS			
In Pakistan		113,164,724	52,126,784
Outside Pakistan		5,294,724	7,416,077
		<u>118,459,448</u>	<u>59,542,861</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		113,164,724	52,126,784
In foreign currencies		5,294,724	7,416,077
		<u>118,459,448</u>	<u>59,542,861</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	15.3	11,426,588	10,604,033
Long term financing facility	15.4	4,422,334	4,828,527
Long term financing - export oriented projects scheme	15.5	5,108	60,365
Financing Facility for Storage of Agricultural Produce	15.6	470,367	509,061
		<u>16,324,397</u>	<u>16,001,986</u>
Repurchase agreement borrowings	15.7	83,010,691	25,952,261
		<u>99,335,088</u>	<u>41,954,247</u>
Unsecured			
Borrowings from other financial institution	15.8	2,116,053	4,463,273
Call borrowings	15.9	16,511,769	12,783,248
Overdrawn nostro accounts		496,538	342,093
		<u>19,124,360</u>	<u>17,588,614</u>
		<u>118,459,448</u>	<u>59,542,861</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 3.50% to 4.50% per annum.
- 15.4** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 5.0% to 6.0% per annum.
- 15.5** These borrowings have been obtained from SBP for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These carry mark up rates ranging from 3.50% to 4.0% per annum.
- 15.6** These Borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings are repayable within a period ranging from 3 years to 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 6.0% to 6.50% per annum (2014: 5.25% to 10% per annum) and are secured against government securities of carrying value of Rs. 83,009.095 million (2014: Rs. 25,954.744 million).
- 15.8** These carry mark-up ranging from 1.45% to 2.50% per annum (2014: 1.20% to 2.0% per annum).
- 15.9** These carry mark-up ranging from 0.93% to 7.40% per annum (2014: 0.90% to 9.50% per annum). These are repayable by March, 2016.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	48,746,900	62,126,560
Saving deposits	386,688,043	382,582,290
Current accounts	248,238,081	227,132,866
Margin accounts	5,217,836	4,207,605
	<u>688,890,860</u>	<u>676,049,321</u>
Financial institutions		
Remunerative deposits	12,838,236	7,193,847
Non-remunerative deposits	6,362,075	5,086,352
	<u>19,200,311</u>	<u>12,280,199</u>
	<u>708,091,171</u>	<u>688,329,520</u>
16.1 Particulars of deposits		
In local currency	662,132,577	650,630,167
In foreign currencies	45,958,594	37,699,353
	<u>708,091,171</u>	<u>688,329,520</u>

16.2 Deposits include deposits from related parties amounting to Rs. 13,253.703 million (2014: Rs. 17,226.453 million).

	Note	2015	2014
		(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	901,919	931,846
Accelerated tax depreciation		1,503,574	1,391,924
Receivable from pension fund		1,979,736	2,542,139
Surplus / (deficit) on revaluation of securities	21.2	7,427,581	5,947,082
		<u>11,812,810</u>	<u>10,812,991</u>
Deductible temporary differences on:			
Provision for bad debts		-	(21,640)
Provision for post retirement benefits		(436,221)	(394,251)
		<u>(436,221)</u>	<u>(415,891)</u>
		<u>11,376,589</u>	<u>10,397,100</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		7,317,996	10,074,023
Mark-up / return / interest payable in foreign currencies		74,918	83,809
Accrued expenses		8,650,660	7,562,145
Unclaimed dividend		1,368,965	727,878
Staff welfare fund		7,948	12,794
Unrealised loss on derivative financial instruments	18.1	549,260	856,591
Provision for employees' compensated absences	36.3	986,818	987,060
Provision for post retirement medical benefits	36.3	1,717,108	1,498,996
Provision for employees' contributory benevolent scheme	36.3	195,881	179,409
Security deposits		380,889	346,315
Branch adjustment account		152,609	12,957
Retention money		69,720	22,238
Insurance payable against consumer assets		290,550	213,547
Unclaimed balances		1,031,796	988,690
Duties and taxes payable		129,826	195,060
Others		6,001,858	5,868,729
		<u>28,926,802</u>	<u>29,630,241</u>

18.1 Unrealized loss on derivative financial instruments

	Contracts / Notional Amount		Unrealized loss	
	2015	2014	2015	2014
(Rupees in '000)				
Unrealized loss on:				
Fx Options	1,460,979	-	27,574	-
Forward exchange contracts	79,447,578	50,474,436	521,686	856,591
	<u>80,908,557</u>	<u>50,474,436</u>	<u>549,260</u>	<u>856,591</u>

19. SHARE CAPITAL

19.1 Authorised Capital

	2015 (Number of shares)	2014 (Number of shares)		2015 (Rupees in '000)	2014 (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

2015			2014			2015	2014	
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	814,592,340	1,011,846,135	Opening balance	11,130,307	10,118,461
-	-	-	-	101,184,613	101,184,613	Shares issued during the year	-	1,011,846
<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, 2015

		2015	2014
		(Number of Shares)	
19.3	Number of shares held by the associated undertakings as at December 31, are as follows:		
	Adamjee Insurance Company Limited	38,102,387	34,606,587
	Nishat Mills Limited	84,014,991	81,527,891
	D.G. Khan Cement Company Limited	102,277,232	102,277,232
	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>468,213,552</u>	<u>462,230,652</u>
	Note	2015	2014
		(Rupees in '000)	
20.	RESERVES		
	Share premium	9,702,528	9,702,528
	Exchange translation reserve	318,484	394,507
	Statutory reserve	22,688,069	20,132,970
	General reserve	18,600,000	18,600,000
		<u>51,309,081</u>	<u>48,830,005</u>
20.1	Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.		
	Note	2015	2014
		(Rupees in '000)	
21.	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
	Surplus / (deficit) arising on revaluation (net of tax) of:		
	- fixed assets	11,102,788	11,240,358
	- available-for-sale securities	13,794,075	11,955,529
		<u>24,896,863</u>	<u>23,195,887</u>
21.1	Surplus on revaluation of fixed assets-net of tax		
	Surplus on revaluation of fixed assets as at January 01	12,172,204	12,245,480
	Surplus realised on disposal of revalued properties - net of deferred tax	(88,695)	-
	Related deferred tax liability	(3,610)	-
		<u>(92,305)</u>	<u>-</u>
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(48,875)	(47,629)
	Related deferred tax liability	(26,317)	(25,647)
		<u>(75,192)</u>	<u>(73,276)</u>
	Surplus on revaluation of fixed assets as at December 31	<u>12,004,707</u>	<u>12,172,204</u>
	Less: Related deferred tax liability on:		
	Revaluation as at January 01	931,846	957,493
	Disposal of revalued properties during the year transferred to profit and loss account	(3,610)	-
	Incremental depreciation charged during the year transferred to profit and loss account	(26,317)	(25,647)
		<u>901,919</u>	<u>931,846</u>
		<u>11,102,788</u>	<u>11,240,358</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

	Note	2015	2014
		(Rupees in '000)	
21.2 Surplus / (deficit) on revaluation of available for sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		74,573	(51,057)
- Pakistan Investment Bonds		20,767,323	15,875,682
Listed Securities			
- Shares / Certificates / Units		376,945	2,112,015
- Open Ended Mutual Funds		3,649	3,957
- Term Finance Certificates		7,845	11,040
		388,439	2,127,012
Sukuk Bonds		(8,679)	(49,026)
		21,221,656	17,902,611
Add: Related deferred tax (liability) / asset	17	(7,427,581)	(5,947,082)
		13,794,075	11,955,529
22. CONTINGENCIES AND COMMITMENTS			
22.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring			
Government		21,814,111	9,804,953
Banks and financial institutions		2,032,180	2,112,463
Others		1,965,279	4,099,362
		25,811,570	16,016,778
22.2 Transaction-related contingent liabilities			
Guarantees in favour of			
Government		9,961,864	10,629,286
Banks and financial institutions		585,970	6,104
Others		9,461,583	9,713,558
Suppliers' credit / payee guarantee		2,235,176	2,235,176
		22,244,593	22,584,124
22.3 Trade-related contingent liabilities		115,725,255	86,745,326
22.4 Other contingencies			
Claims against the Bank not acknowledged as debts		5,350,286	3,393,783
<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		75,975,136	47,859,438
Sale		71,836,248	49,478,965
22.7 Commitments for the acquisition of fixed assets		190,608	125,438
22.8 Other commitments			
FX options (notional amount)	23.1 & 23.2		
Purchase		1,460,979	-
Sale		1,460,979	-
Forward outright sale of Government Securities		-	250,000
Outright purchase of Government Securities		-	100,000

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

22.9 Taxation

For assessment year 1988-89 through tax year 2014, 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. 2,747 million (2014: Rs. 3,818 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 retaining our clientele, who are being lured away by competitors who are offering derivative products.
- 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), Risk Management Committee (RMC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Bank-wide basis. 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, to support management of the derivatives business. 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 analysing the risk and benefits associated with the deals.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

23.1 Product analysis

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
	2014					
Counter parties	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
Total						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-

23.2 Maturity analysis

Remaining maturity	2015				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
FX Options					
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	-
	2014				
Remaining maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative (Rupees in '000)	Positive	Net
FX Options					
Over 1 to 3 months	-	-	-	-	-

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	26,184,167	28,921,508
On investments in:		
Held for trading securities	52,926	939
Available for sale securities	53,271,960	47,052,221
Held to maturity securities	751,334	781,608
	54,076,220	47,834,768
On deposits with financial institutions	79,174	31,246
On securities purchased under resale agreements	163,629	448,129
On money at call	12,781	33,337
Profit on Bai Muajjal	16,257	-
	<u>80,532,228</u>	<u>77,268,988</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	23,425,130	30,340,761
Securities sold under repurchase agreements	5,289,380	1,091,677
Other short-term borrowings	1,901,436	1,698,028
Discount, commission and brokerage	486,663	498,862
Others	107,780	127,357
	<u>31,210,389</u>	<u>33,756,685</u>
26. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
- Market Treasury Bills	171,638	(59,593)
- Pakistan Investment Bonds	2,135,207	180,644
Others		
- Shares and units- Listed	2,125,293	1,529,447
	<u>4,432,138</u>	<u>1,650,498</u>
27. OTHER INCOME		
Rent on property / lockers	273,237	165,610
Net profit on sale of property and equipment	136,283	31,120
Bad debts recovered	52,202	65,081
Compensation on tax refunds	1,444,324	1,127,996
Postal, SWIFT and other charges recovered	181,748	176,668
	<u>2,087,794</u>	<u>1,566,475</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		9,224,152	8,755,227
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	36.7	(775,903)	(831,689)
- Post retirement medical benefits	36.7	166,934	156,619
- Employees' contributory benevolent scheme	36.7	19,693	28,360
- Employees' compensated absences	36.7	141,585	233,167
		(447,691)	(413,543)
Contributions to defined contribution plan - provident fund		235,403	214,712
Voluntary Separation Scheme		-	26,288
Non-executive directors' fees		34,586	34,064
Rent, taxes, insurance and electricity		2,930,260	2,733,375
Legal and professional charges		215,930	281,749
Communications		1,225,519	965,462
Repairs and maintenance		1,674,341	1,499,203
Stationery and printing		614,712	560,661
Advertisement and publicity		362,483	315,109
Cash transportation charges		547,809	550,183
Instrument clearing charges		142,526	139,807
Donations	28.1	-	40,000
Auditors' remuneration	28.2	39,416	33,746
Depreciation	11.2	2,037,048	1,724,216
Amortization of intangible asset	11.3	381,334	359,734
Travelling, conveyance and fuel		328,639	315,450
Subscription		15,599	17,775
Entertainment		177,803	160,070
Training expenses		46,067	35,415
Petty capital items		59,187	46,151
Card related expenses		348,437	298,368
Outsourced security guards, tea services and janitorial expenses etc		2,077,221	1,682,885
CNIC verification charges		62,923	60,487
Others		142,614	175,055
		<u>22,476,318</u>	<u>20,611,649</u>

28.1 No donation has been made during the current year. Detail of donation made during the last year is as follows:

	2015	2014
(Rupees in '000)		
"Chief Minister's Relief Fund for IDPs North Waziristan – 2014"	-	40,000
	<u>-</u>	<u>40,000</u>

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

28.2 Auditors' remuneration

Annual Audit fee	13,885	12,976
Fee for audit and other certifications of overseas branches	7,569	3,665
Tax and other certifications	12,872	15,814
Sales Tax	2,495	-
Out-of-pocket expenses	2,595	1,291
	<u>39,416</u>	<u>33,746</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
29. OTHER CHARGES		
Workers welfare fund	846,665	734,589
VAT and Crop Insurance Levy - Sri Lanka	43,978	56,431
Education cess	16,319	16,225
Impairment / loss on sale of Non-Banking assets	21,533	171,766
	<u>928,495</u>	<u>979,011</u>
30. TAXATION		
For the year		
Current	14,447,371	11,920,022
Deferred	428,745	484,669
	<u>14,876,116</u>	<u>12,404,691</u>
Prior years		
Current	1,906,156	-
Deferred	-	-
	<u>1,906,156</u>	<u>-</u>
	<u>16,782,272</u>	<u>12,404,691</u>

30.1 The Finance Act 2015 has introduced certain amendments relating to taxation of banking companies. As per these amendments, bank's income from dividend and capital gains are now taxed at the normal tax rates instead of previously applicable reduced rates. In addition, one- time super tax at the rate of 4 percent of the taxable income has also been levied. These amendments apply retrospectively for the tax year 2015, i.e. year ended December 31, 2014. The effects of above amendments amounting to Rs.1,906 million (2014 : Nil) have been incorporated in these financial statements.

30.2 Relationship between tax expense and accounting profit

Accounting profit for the year	42,333,262	36,729,447
Tax rate	35%	35%
Tax on income	14,816,642	12,855,306
Tax effect on separate block of income (taxable at reduced rate)	-	(488,086)
Tax effect of prior years provisions	1,906,156	-
Others	59,474	37,471
Tax charge for the year	<u>16,782,272</u>	<u>12,404,691</u>

31. CREDIT RATING

PACRA through its notification dated June 24, 2015 has maintained bank's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus].

	2015	2014
	(Rupees in '000)	
32. BASIC AND DILUTED EARNINGS PER SHARE - PRE TAX		
Profit before taxation	<u>42,333,262</u>	<u>36,729,447</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>38.03</u>	<u>33.00</u>

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	25,550,990	24,324,756
	(Number of Shares)	
Weighted average number of shares outstanding during the year	1,113,030,748	1,113,030,748
	(Rupees)	
Basic and diluted earnings per share - after tax	22.96	21.85

	Note	2015	2014
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	61,208,938	46,753,804
Balances with other banks	7	3,681,893	3,015,624
Overdrawn nostro accounts	15	(496,538)	(342,093)
		64,394,293	49,427,335
	Note	2015	2014
		(Numbers)	

35. STAFF STRENGTH			
Permanent		10,602	10,601
Temporary/contractual basis		93	88
Bank's own staff strength at the end of the year		10,695	10,689
Outsourced	35.1	1,397	1,424
Total staff strength		12,092	12,113

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, 2015

36.2 Principal actuarial assumptions

The latest actuarial valuations of the approved pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2015. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2015	2014	2015	2014	2015	2014	2015	2014
	%	%	%	%	%	%	%	%
Valuation discount rate	10	11.25	10	11.25	10	11.25	10	11.25
Expected rate of return on plan assets	10	11.25	-	-	-	-	-	-
Salary increase rate	8.75	10	8.75	10	8.75	10	8.75	10
Medical cost inflation rate	-	-	-	-	10	8.25	-	-
Exposure inflation rate	-	-	-	-	-	3	-	-

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

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

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)									
Present value of defined benefit obligations	36.5	3,507,849	3,242,851	195,881	179,409	1,717,108	1,498,996	986,818	987,060
Fair value of plan assets	36.6	(9,164,235)	(10,506,105)	-	-	-	-	-	-
Net (receivable) / payable recognised as at the year-end		(5,656,386)	(7,263,254)	195,881	179,409	1,717,108	1,498,996	986,818	987,060

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the present value of medial obligation at December 31, 2015 would be Rs. 110.410 million (2014: Rs. 98.484 million) and Rs. 98.047 million (2014: Rs. 80.375 million) respectively.

36.4 Movement in balance (receivable) / payable

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)									
Opening balance of (receivable) / payable		(7,263,254)	(5,854,207)	179,409	213,438	1,498,996	1,340,476	987,060	934,009
Expense recognised	36.7	(775,903)	(831,689)	19,693	28,360	166,934	156,619	141,585	233,167
Employees' contribution		-	-	5,130	5,988	-	-	-	-
Benefits paid		-	-	(45,834)	(68,583)	(143,445)	(187,117)	(173,075)	(353,596)
Other Comprehensive income		2,382,771	(577,358)	37,483	206	194,623	189,018	31,248	173,480
Closing balance of (receivable) / payable		(5,656,386)	(7,263,254)	195,881	179,409	1,717,108	1,498,996	986,818	987,060

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

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	
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
Present value of obligation as at January 01,	3,242,851	3,834,422	179,409	213,438	1,498,996	1,340,476	987,060	934,009
Current service cost	41,213	44,905	7,218	6,372	6,366	13,602	40,276	43,672
Interest cost	344,182	452,099	17,605	23,289	160,568	162,099	101,309	98,437
Benefits paid	(366,900)	(713,479)	(45,834)	(68,583)	(143,445)	(187,117)	(173,075)	(353,596)
Loss / (gain) on settlement	-	(115,547)	-	4,687	-	(19,082)	-	91,058
-(Gain) / loss from change in demographic assumptions	-	-	-	-	-	-	-	-
-(Gain) / loss from change in financial assumptions	254,758	150,701	30,372	21,367	207,963	127,423	7,648	85,132
-Experience (gains) / losses	(8,255)	(410,250)	7,111	(21,161)	(13,340)	61,595	23,600	88,348
	246,503	(259,549)	37,483	206	194,623	189,018	31,248	173,480
Present value of obligation as at December 31,	3,507,849	3,242,851	195,881	179,409	1,717,108	1,498,996	986,818	987,060

36.6 Changes in fair values of plan assets

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
Net assets as at January 01,	10,506,105	9,688,629	-	-	-	-	-	-
Expected return on plan assets	1,161,298	1,213,146	-	-	-	-	-	-
Refund / withdrawn from fund	-	-	-	-	-	-	-	-
Benefits paid	(366,900)	(713,479)	-	-	-	-	-	-
Actuarial gain / (loss)	(2,136,268)	317,809	-	-	-	-	-	-
Net assets as at December 31,	36.9	9,164,235	10,506,105	-	-	-	-	-

36.7 Charge for defined benefit plans and other benefits

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

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
Current service cost	41,213	44,905	7,218	6,372	6,366	13,602	40,276	43,672
Interest cost	344,182	452,099	17,605	23,289	160,568	162,099	101,309	98,437
Expected return on plan assets	(1,161,298)	(1,213,146)	-	-	-	-	-	-
Contributions employees	-	-	(5,130)	(5,988)	-	-	-	-
Loss / (gain) on settlement	-	(115,547)	-	4,687	-	(19,082)	-	91,058
	(775,903)	(831,689)	19,693	28,360	166,934	156,619	141,585	233,167

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the aggregate of the current service cost and interest cost components of net period post - employment medical costs would be Rs. 11.041 million (2014: Rs. 11.498 million) and Rs. 9.805 million (2014: Rs. 9.384 million) respectively.

36.8 Actual return on plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
Actual return on plan assets	(974,970)	1,530,955	-	-	-	-	-	-

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

36.9 Composition of fair value of plan assets

	Approved Pension Fund			
	2015		2014	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Listed equity shares	7,800,801	85.12	7,330,994	69.78
Open ended mutual funds units	435,283	4.75	388,142	3.69
Term Finance certificates	98,941	1.08	98,583	0.94
Cash and bank balances	829,210	9.05	2,688,386	25.59
Fair value of plan total assets	9,164,235	100	10,506,105	100

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

Shares of MCB	3,789,372	5,172,094
Bank balance with MCB	829,210	2,688,386
	4,618,582	7,860,480

36.10 Other relevant details of above funds are as follows:

	2015	2014	2013	2012	2011
	(Rupees in '000)				
36.10.1 Pension Fund					
Present value of defined benefit obligation	3,507,849	3,242,851	3,834,422	4,259,671	4,262,421
Fair value of plan assets	(9,164,235)	(10,506,105)	(9,688,629)	(22,688,154)	(19,543,388)
(Surplus) / deficit	(5,656,386)	(7,263,254)	(5,854,207)	(18,428,483)	(15,280,967)
Actuarial gain / (loss) on obligation	(246,503)	259,549	(83,090)	20,130	(190,661)
Actuarial gain / (loss) on assets	(2,136,268)	317,809	539,261	1,194,359	(1,529,469)
36.10.2 Employees' Contributory Benevolent Scheme					
Present value of defined benefit obligation	195,881	179,409	213,438	257,089	283,477
Fair value of plan assets	-	-	-	-	-
	195,881	179,409	213,438	257,089	283,477
Actuarial gain / (loss) on obligation	(37,483)	(206)	4,974	26,335	19,979
	2015	2014	2013	2012	2011
	(Rupees in '000)				
36.10.3 Post Retirement Medical Benefits					
Present value of defined benefit obligation	1,717,108	1,498,996	1,340,476	1,565,634	1,388,970
Fair value of plan assets	-	-	-	-	-
	1,717,108	1,498,996	1,340,476	1,565,634	1,388,970
Actuarial gain / (loss) on obligation	(194,623)	(189,018)	178,939	(129,950)	(19,198)
36.10.4 Compensated absences					
Present value of defined benefit obligation	986,818	987,060	934,009	594,100	535,870
Fair value of plan assets	-	-	-	-	-
	986,818	987,060	934,009	594,100	535,870
Actuarial gain / (loss) on obligation	(31,248)	(173,480)	(564,126)	(141,920)	(75,701)

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

Notes to and forming part of the unconsolidated Financial Statements

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37. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 8,262 (2014: 7,724) employees where contributions are made by the Bank and employees at 8.33% per annum (2014: 8.33% per annum) of the basic salary.

The Bank also operates an approved non-contributory provident fund for 1,031 (2014: 1,105) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 12.50% per annum (2014: 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	
	2015	2014	2015	2014	2015	2014
	(Rupees in '000)					
Fees	-	-	34,586	34,064	-	-
Managerial remuneration and bonus	66,023	56,719	-	-	2,174,158	1,926,157
Retirement benefits	2,457	2,232	-	-	96,644	86,409
Rent and house maintenance	13,268	12,054	-	-	483,971	426,033
Utilities	2,948	2,679	-	-	108,380	95,489
Medical	-	-	-	-	29,555	26,062
Conveyance	-	-	-	-	498,018	492,830
	84,696	73,684	34,586	34,064	3,390,726	3,052,980
Number of persons	1	1	12	12	1135	991

- 38.1. The Chairman has been provided with free use of the Bank maintained car. In addition to the above, the Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipments in accordance with the terms of their employment.

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

- 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			Total
	Level 1	Level 2	Level 3	
	(Rupees in '000)			
On balance sheet financial instruments				
Financial assets measured at fair value				
Held for trading securities				
- Shares in listed companies	153,562	-	-	153,562
- Pakistan Investment Bonds	-	209,255	-	209,255
	153,562	209,255	-	362,817
Available-for-sale securities				
- Market Treasury Bills	-	225,154,457	-	225,154,457
- Pakistan Investment Bonds	-	300,497,023	-	300,497,023
- Shares in listed companies	14,718,512	-	-	14,718,512
- NIT units	6,995	-	-	6,995
- Sukuk Bonds	-	1,937,955	-	1,937,955
- Term Finance Certificates (TFCs)	-	506,645	-	506,645
	14,725,507	528,096,080	-	542,821,587
Non - Financial Assets measured at fair value				
Operating fixed assets (land and buildings)	-	24,655,516	-	24,655,516
Off balance sheet financial instruments				
FX options purchase	-	1,488,553	-	1,488,553
FX options sale	-	1,433,405	-	1,433,405
Foreign exchange contracts Purchase	-	75,818,923	-	75,818,923
Foreign exchange contracts Sale	-	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 Sukuks Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options 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, Bonds and Sukuk certificates	Investments in debt securities (comprising term finance certificates, bonds, sukuk certificates 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. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises these as traded, thinly traded and non-traded securities.
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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For the year ended December 31, 2015

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)						
2015						
Total income	270,206	23,996,820	33,847,419	8,322,111	-	66,436,556
Total expenses	(60,475)	(4,606,555)	(17,174,265)	(2,261,999)	-	(24,103,294)
Income tax expense	-	-	-	-	-	(16,782,272)
Net income	209,731	19,390,265	16,673,154	6,060,112	-	25,550,990
Segment assets - (Gross of NPL's provision)	701,758	650,233,979	767,100,114	255,886,234	(642,239,070)	1,031,683,015
Advance taxation (payments less provisions)	-	-	-	-	-	2,795,547
Total assets	701,758	650,233,979	767,100,114	255,886,234	(642,239,070)	1,034,478,562
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	88,730	572,299,536	709,642,280	227,661,182	(642,239,070)	867,452,658
Deferred tax liability	-	-	-	-	-	11,376,589
Total liabilities - net	88,730	572,299,536	709,642,280	227,661,182	(642,239,070)	878,829,247
Segment return on assets (ROA) (%)	38.50%	3.69%	4.46%	3.39%	-	-
Segment cost of fund (%)	-	7.39%	4.38%	7.13%	-	-
2014						
Total income	179,986	10,289,165	37,614,989	8,371,865	-	56,456,005
Total expenses	(70,034)	(1,294,239)	(16,515,761)	(1,846,524)	-	(19,726,558)
Income tax expense	-	-	-	-	-	(12,404,691)
Net income	109,952	8,994,926	21,099,228	6,525,341	-	24,324,756
Segment assets - (Gross of NPL's provision)	454,341	561,720,044	780,056,430	246,612,785	(639,259,776)	949,583,824
Advance taxation (payments less provisions)	-	-	-	-	-	3,196,861
Total assets	454,341	561,720,044	780,056,430	246,612,785	(639,259,776)	952,780,685
Segment non performing loans	-	-	8,261,678	13,646,113	-	21,907,791
Segment specific provision required	-	-	8,217,857	9,931,344	-	18,149,201
Segment liabilities	101,176	514,875,249	702,889,727	215,523,946	(639,259,776)	794,130,322
Deferred tax liability	-	-	-	-	-	10,397,100
Total liabilities - net	101,176	514,875,249	702,889,727	215,523,946	(639,259,776)	804,527,422
Segment return on assets (ROA) (%)	39.61%	1.92%	4.87%	3.54%	-	-
Segment cost of fund (%)	-	9.92%	6.16%	9.35%	-	-

Total income = Net markup income + non-markup income

Total expenses = Non Mark up expenses + Provisions

Segment assets and liabilities include inter segment balances.

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

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

41. RELATED PARTY TRANSACTIONS AND BALANCES

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

The Bank enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Remuneration to Chief Executive, Directors and Executives is disclosed in note 38 to these financial statements.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

	Directors		Associates		Subsidiaries		Other related parties		Key management	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in '000)									
A. Balances										
Deposits										
Opening balance	3,386,220	931,665	1,719,822	978,408	62,291	24,771	11,923,096	14,487,517	135,024	125,197
Received during the year	3,461,173	5,719,181	10,844,402	9,719,217	13,490,864	181,926	49,934,665	53,502,747	767,184	1,131,625
Withdrawn during the year	(5,128,385)	(3,264,626)	(9,704,624)	(8,977,803)	(11,666,479)	(144,406)	(55,208,448)	(56,067,168)	(763,102)	(1,121,798)
Closing balance	1,719,008	3,386,220	2,859,600	1,719,822	1,886,676	62,291	6,649,313	11,923,096	139,106	135,024
Advances										
Opening balance	1,549	2,185	-	-	502,416	526,623	21,918	116,584	68,672	67,765
Additions / adjustments during the year	-	-	-	-	-	-	-	627,390	15,414	16,042
Repaid during the year	(663)	(636)	-	-	(225,690)	(24,207)	(21,918)	(722,056)	(15,566)	(15,135)
Closing balance	886	1,549	-	-	276,726	502,416	-	21,918	68,520	68,672
Outstanding Balance of credit card	770	709	-	-	-	-	480	78	1,380	1,631
Receivable from Pension fund	-	-	-	-	-	-	5,656,386	7,263,254	-	-

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

	Directors		Associates		Subsidiaries		Other related parties		Key management	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in '000)									
Outstanding commitments and contingent liabilities	-	-	8,937	11,405	-	-	531,782	656	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	-	-	6,459,845	7,497,696	-	-
Unrealized gain / (loss) on forward foreign exchange contracts Outstanding	-	-	-	-	-	-	(6,254)	(30,613)	-	-
Borrowings Outstanding	-	-	-	-	-	-	1,047,410	4,019,324	-	-
Call / Repo Borrowing deals entered during the year	-	-	-	-	-	-	1,095,000	-	-	-
Trade payable	-	-	44,472	9,757	-	206	17,901	5,653	-	-
Investments made during the year	-	-	-	-	10,261,375	-	-	-	-	-
Divestment	-	-	-	-	77	-	-	-	-	-
Retention money	-	-	-	-	-	-	-	6,525	-	-
Markup payable	6,212	14,407	6,876	8,511	9,827	148	53,764	131,957	456	681
Other payable	2,423	-	516	-	7,095	6,335	-	-	-	-
Advance receivable	-	-	2,684	-	-	-	20,000	44,000	-	-
Markup Receivable	-	-	-	-	4,240	8,820	776	419	689	-
Other Receivable	-	-	-	-	6,794	42,846	-	-	-	-
Commission Receivable	-	-	34,964	-	17,137	38,437	2	-	-	-
Insurance premium paid-net of refund	-	-	360,918	482,843	-	-	-	-	-	-
Insurance claim settled	-	-	6,290	39,526	-	-	-	-	-	-
Markup income on advances	62	94	-	-	25,132	26,516	2,231	4,639	4,590	4,162
Forward exchange contracts matured during the year	-	-	-	-	-	-	101,360,304	85,628,251	-	-
Gain / (Loss) on forward foreign exchange contracts matured during the year	-	-	-	-	-	-	(129,339)	(272,914)	-	-
Dividend Income	-	-	295,416	229,390	121,041	101,631	51,774	34,282	-	-
Payment for capital expenditure	-	-	-	15,288	-	-	-	-	-	-
Commission & FX income	-	-	832,580	757,822	176,644	39,674	14,604	2,935	-	-
Branch sharing & rent income	-	-	-	-	911	4,168	-	-	-	-
Reimbursement of expenses	-	-	-	-	43,110	6,000	-	-	-	-
Outsourcing service expenses	-	-	130,724	115,392	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	15	24
Gain / (loss) on sale of fixed assets	-	-	-	-	-	-	-	-	15	21
Cash sorting expenses	-	-	-	-	-	-	58,398	56,678	-	-
Stationery Expenses	-	-	-	-	-	-	194,207	191,482	-	-
Security guard expenses	-	-	-	-	-	-	400,551	321,424	-	-
Remuneration and non-executive directors fee	119,282	107,747	-	-	-	-	-	-	397,888	440,298
Mark-up expense	106,098	60,678	72,239	80,348	66,841	1,893	648,917	906,010	1,766	3,686
Clearing expenses paid to NIFT	-	-	-	-	-	-	141,433	138,727	-	-
Contribution to provident fund	-	-	-	-	-	-	235,403	214,712	-	-
Gas Charges	-	-	-	-	-	-	16,875	10,831	-	-
Rent and other expenses	-	-	7,981	4,976	-	-	721	1,152	-	-
Miscellaneous expenses and payments	-	-	-	109,130	-	-	50,963	55,203	-	-

The chairman has been provided with free use of the Bank maintained car. The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

Notes to and forming part of the unconsolidated Financial Statements

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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 paid up capital of the Bank for the year ended December 31, 2015 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) 30% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position,
- Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and investments up to a maximum of 45 % of the balance and 40% of remaining 55% for 2015 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) 30% 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 (10.25% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

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

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

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42.3 Capital Adequacy Ratio

	2015	2014
	(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	41,288,069	38,732,970
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	50,464,155	46,947,863
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	112,585,059	106,513,668
10 Total regulatory adjustments applied to CET1 (Note 42.3.1)	5,876,720	2,430,274
11 Common Equity Tier 1	106,708,339	104,083,394
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)	106,708,339	104,083,394
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	653,075	609,312
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	7,438,868	6,294,600
29 of which: Unrealized gains/losses on AFS	9,242,030	6,695,096
30 Foreign Exchange Translation Reserves	318,484	394,507
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	17,652,457	13,993,515
33 Total regulatory adjustment applied to T2 capital (Note 42.3.3)	3,506,888	588,053
34 Tier 2 capital (T2) after regulatory adjustments	14,145,569	13,405,462
35 Tier 2 capital recognized for capital adequacy	14,145,569	13,405,462
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	14,145,569	13,405,462
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	120,853,908	117,488,856

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	2015	2014
	(Rupees in '000)	
39 Total Risk Weighted Assets (RWA) (for details refer Note 42.6)	636,167,097	575,663,052
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	16.77%	18.08%
41 Tier-1 capital to total RWA	16.77%	18.08%
42 Total capital to total RWA	19.00%	20.41%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.00%	5.50%
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)	10.77%	12.58%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	5.50%
49 Tier 1 minimum ratio	7.50%	7.00%
50 Total capital minimum ratio	10.00%	10.00%
51 Total capital minimum ratio plus CCB	10.25%	10.00%
Leverage Ratio		
Tier 1 Capital	106,708,339	104,083,394
Total Exposures	1,306,097,574	1,142,755,587
Leverage Ratio	8.17%	9.11%

Regulatory Adjustments and Additional Information

2015	2014
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)	899,172	-	897,998
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	1,470,660	3,676,650	944,223
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*	3,506,888	-	588,053
22 Total regulatory adjustments applied to CET1	5,876,720	-	2,430,274

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Regulatory Adjustments and Additional Information		2015	2014
		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	3,506,888	588,053
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	3,506,888	588,053
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	3,506,888	588,053
		2015	2014
(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	2,205,990	3,776,892
(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)	653,075	609,312
42	Cap on inclusion of provisions in Tier 2 under standardized approach	5,321,694	4,572,704
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, 2015

42.4 Capital Structure Reconciliation

Step 1

	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation
	As at 31-12-2015	As at 31-12-2015
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	61,208,938	61,208,938
Balances with other banks	3,681,893	3,681,893
Lending to financial institutions	5,132,480	5,132,480
Investments	568,802,508	568,802,508
Advances	314,124,939	314,124,939
Operating fixed assets	32,432,650	32,432,650
Deferred tax assets	-	-
Other assets	31,246,245	31,246,245
Total Assets	1,016,629,653	1,016,629,653
Liabilities & Equity		
Bills payable	11,975,237	11,975,237
Borrowings	118,459,448	118,459,448
Deposits and other accounts	708,091,171	708,091,171
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	11,376,589	11,376,589
Other liabilities	28,926,802	28,926,802
Total Liabilities	878,829,247	878,829,247
Share capital	11,130,307	11,130,307
Reserves	51,309,081	51,309,081
Unappropriated profit	50,464,155	50,464,155
Minority Interest	-	-
Total Equity	112,903,543	112,903,543
Surplus on revaluation of assets - net of tax	24,896,863	24,896,863
Total liabilities & equity	1,016,629,653	1,016,629,653

Step 2

	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2015	As at 31-12-2015	
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	61,208,938	61,208,938	
Balances with other banks	3,681,893	3,681,893	
Lending to financial institutions	5,132,480	5,132,480	
Investments	568,802,508	568,802,508	
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	314,124,939	314,124,939	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	653,075	653,075	g

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

Step 2	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2015	As at 31-12-2014	
(Rupees in '000)			
Fixed Assets	32,432,650	32,432,650	
of which: Intangibles	899,172	899,172	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	31,246,245	31,246,245	
of which: Goodwill	-	-	j
of which: Defined-benefit pension fund net assets	5,656,386	5,656,386	l
Total assets	1,016,629,653	1,016,629,653	
Liabilities & Equity			
Bills payable	11,975,237	11,975,237	
Borrowings	118,459,448	118,459,448	
Deposits and other accounts	708,091,171	708,091,171	
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	11,376,589	11,376,589	
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	1,979,736	1,979,736	q
of which: other deferred tax liabilities	9,396,853	9,396,853	r
Other liabilities	28,926,802	28,926,802	
Total liabilities	878,829,247	878,829,247	
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	41,606,553	41,606,553	
of which: portion eligible for inclusion in CET1 (general reserve & statutory reserve)	41,288,069	41,288,069	u
of which: portion eligible for inclusion in Tier 2	318,484	318,484	v
Unappropriated profit	50,464,155	50,464,155	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	24,896,863	24,896,863	
of which: Revaluation reserves on fixed assets	11,102,788	11,102,788	
of which: Unrealized Gains/Losses on AFS	13,794,075	13,794,075	aa
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	137,800,406	137,800,406	
Total liabilities & equity	1,016,629,653	1,016,629,653	

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

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	41,288,069
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/(losses)	50,464,155 (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	112,585,059
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)	899,172 (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	1,470,660 (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	3,506,888
31	Common Equity Tier 1	106,708,339
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, 2015

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	-	
39	-	
40	-	
41	-	
42	-	(ac)
43	-	(ad)
44	3,506,888	
45	-	
46	-	
47	-	
48	106,708,339	
Tier 2 Capital		
49	-	
50	-	(n)
51	-	(z)
52	-	
53	653,075	(g)
54	16,680,898	
55	7,438,868	
56	9,242,030	portion of (aa)
57	318,484	(v)
58	-	
59	17,652,457	
Tier 2 Capital: regulatory adjustments		
60	3,506,888	
61	-	
62	-	
63	-	(ae)
64	-	(af)
65	3,506,888	
66	14,145,569	
67	14,145,569	
68	-	
69	14,145,569	
70	120,853,908	

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

42.5 Main Features Template of Regulatory Capital Instruments

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

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

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	
	2015	2014	2015	2014
	(Rupees in '000)			
Credit Risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Corporate portfolio	24,882,293	20,245,752	218,993,312	181,620,569
Banks / DFIs	1,017,900	789,091	8,958,714	7,078,773
Public sector entities	455,055	874,983	4,005,014	7,849,296
Sovereigns / cash & cash equivalents	1,303,999	789,081	11,476,715	7,078,684
Loans secured against residential property	151,088	142,950	1,329,749	1,282,379
Retail	1,843,238	1,710,048	16,222,650	15,340,500
Past due loans	292,420	353,427	2,573,642	3,170,522
Operating fixed assets	3,582,873	3,377,023	31,533,478	30,294,590
Other assets	1,246,110	3,377,034	10,967,226	30,294,689
	34,774,976	31,659,389	306,060,500	284,010,002
Off-Balance Sheet				
Non-market related	11,540,383	8,479,176	101,568,878	76,064,982
Market related	35,213	96,875	309,919	869,050
	11,575,596	8,576,051	101,878,797	76,934,032
Equity Exposure Risk in the Banking Book				
Listed	692,232	387,466	6,092,454	3,475,876
Unlisted	1,329,799	155,661	11,703,785	1,396,400
	2,022,031	543,127	17,796,239	4,872,276
Total Credit Risk	48,372,603	40,778,567	425,735,536	365,816,310
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	5,046,836	6,912,117	63,085,450	86,401,463
Equity position risk	2,234,773	1,835,716	27,934,662	22,946,450
Foreign exchange risk	1,355,198	492,917	16,939,980	6,161,462
Total Market Risk	8,636,807	9,240,750	107,960,092	115,509,375
Operational Risk				
Capital requirement for operational risks	8,197,717	7,546,989	102,471,469	94,337,367
Total	65,207,127	57,566,306	636,167,097	575,663,052
	2015		2014	
	Required	Actual	Required	Actual
	%	%	%	%
Capital Adequacy Ratio				
CET1 to total RWA	6.00	16.77	5.50	18.08
Tier-1 capital to total RWA	7.50	16.77	7.00	18.08
Total capital to total RWA	10.00	19.00	10.00	20.41
Total capital plus CCB to total RWA	10.25	19.00	10.00	20.41

* As SBP capital requirement of 10.25% (10% in 2014) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

Notes to and forming part of the unconsolidated Financial Statements

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43 RISK MANAGEMENT

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

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

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM & PRC), the senior management and its relevant committees, i.e. the Risk Management Committee (RMC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring 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:

- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management

Keeping in view the international best practices and SBP requirements, Board of Directors of the Bank has approved a Risk Appetite Statement, which takes into account quantitative and qualitative risk indicators, covering target ratios, credit, market, operational, liquidity and business risks.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

43.1 Credit Risk

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

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-II requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Bank has developed rating systems and all its corporate and commercial borrowers are internally rated. Bank is in the process of continuously improving the system and bringing it inline with the Basel framework requirements.

In order to manage bank's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

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

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control, being an independent function from the business and operations group, is responsible for performing following activities:

- Credit disbursement authorization;
- Collateral coverage and monitoring;
- Compliance of loan covenants/ terms of approval;
- Maintenance/ custody of collateral and security documentation.

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulation R-1.

The Bank creates specific provision against Non- Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Please refer note No. 10.5 for reconciliation of changes in specific and general provisions.

Management of Non Performing Loans

The Bank has a 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 all credit exposures including funded and non-funded facilities are subject to stress test. This exercise is conducted on a quarterly basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

Notes to and forming part of the unconsolidated Financial Statements

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43.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of advances (gross), deposits, contingencies and commitments.

	2015					
	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	19,859,381	5.97	40,225,479	5.68	2,527,464	0.79
Textile	37,016,119	11.13	5,094,194	0.72	17,324,493	5.41
Chemical, petroleum and pharmaceuticals	48,335,870	14.53	5,247,544	0.74	31,375,445	9.80
Cement	3,110,694	0.94	760,163	0.11	1,082,209	0.34
Sugar	17,838,444	5.36	2,456,165	0.35	1,274,073	0.40
Footwear and leather garments	1,357,271	0.41	249,942	0.04	410,134	0.13
Automobile and transportation equipment	374,417	0.11	2,270,323	0.32	875,228	0.27
Electronics and electrical appliances	3,269,086	0.98	662,636	0.09	2,264,269	0.71
Construction, engineering and steel	18,999,041	5.71	17,241,751	2.43	14,338,051	4.48
Power, energy, gas, water, sanitary	26,498,358	7.97	14,531,443	2.05	10,925,782	3.41
Wholesale, retail trade and distribution	16,131,341	4.85	33,960,763	4.80	6,084,618	1.90
Transport, storage and communication	51,602,228	15.51	3,352,246	0.47	29,643,055	9.26
Financial	8,312,633	2.50	12,350,850	1.74	151,147,649	47.23
Insurance	-	-	6,849,461	0.97	9,399	0.00
Services	2,932,655	0.88	56,423,761	7.97	23,898,662	7.47
Individuals	21,638,310	6.51	457,355,573	64.59	2,255,919	0.70
Others	55,351,075	16.64	49,058,877	6.93	24,619,204	7.70
	332,626,923	100	708,091,171	100	320,055,654	100
	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Agri, feed, forestry, poultry	21,369,968	6.63	36,870,083	5.36	7,313,455	3.23
Textile	37,094,287	11.51	3,217,779	0.47	8,636,386	3.81
Chemical, petroleum and pharmaceuticals	46,483,618	14.42	3,929,431	0.57	21,556,743	9.52
Cement	1,857,325	0.58	692,982	0.10	1,462,137	0.65
Sugar	15,740,048	4.88	2,208,055	0.32	6,502,059	2.87
Footwear and leather garments	934,593	0.29	363,273	0.05	446,067	0.20
Automobile and transportation equipment	356,548	0.11	2,092,257	0.30	899,908	0.40
Electronics and electrical appliances	2,609,784	0.81	590,613	0.09	1,329,789	0.59
Construction, engineering and steel	10,747,187	3.33	14,267,389	2.07	14,492,505	6.40
Power, energy, gas, water, sanitary	24,858,205	7.71	22,399,807	3.25	6,926,486	3.06
Wholesale, retail trade and distribution	18,399,294	5.71	32,183,337	4.68	8,643,493	3.82
Transport, storage and communication	62,440,089	19.37	2,619,410	0.38	18,039,741	7.96
Financial	5,341,320	1.66	7,960,331	1.16	92,917,292	41.01
Insurance	-	-	4,319,868	0.63	11,867	0.01
Services	4,247,334	1.32	70,738,783	10.28	19,929,088	8.80
Individuals	14,341,922	4.45	426,579,274	61.97	743,002	0.33
Others	55,496,471	17.24	57,296,848	8.32	16,703,834	7.34
	322,317,993	100	688,329,520	100	226,553,852	100

Notes to and forming part of the unconsolidated Financial Statements

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	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
43.1.1.2 Segment by sector						
Public / Government	69,100,256	20.77	46,908,466	6.62	81,904,830	25.59
Private	263,526,667	79.23	661,182,705	93.38	238,150,824	74.41
	<u>332,626,923</u>	<u>100</u>	<u>708,091,171</u>	<u>100</u>	<u>320,055,654</u>	<u>100</u>

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

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

	2015		2014	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agri, feed, forestry, poultry	513,945	513,945	431,506	395,288
Textile	3,834,715	3,834,368	4,534,564	4,125,481
Chemical, petroleum and pharmaceuticals	141,321	141,321	194,097	194,097
Cement	-	-	-	-
Sugar	25,834	25,834	235,998	235,998
Footwear and leather garments	42,569	42,569	73,196	73,196
Automobile and transportation equipment	20,565	19,746	24,666	23,847
Electronics and electrical appliances	280,202	280,202	290,996	290,996
Construction, engineering and steel	1,486,015	1,486,015	92,040	92,040
Power (electricity), gas, water, sanitary	1,899	1,899	2,499	2,499
Wholesale, retail trade and distribution	3,327,072	3,316,758	3,640,093	3,524,368
Transport, storage and communication	90,865	90,848	596,035	596,035
Financial	798,668	798,668	803,843	803,843
Services	219,318	219,318	355,739	355,239
Individuals	2,923,719	2,911,209	2,931,911	2,884,887
Others	6,662,518	4,166,209	7,700,608	4,551,387
	<u>20,369,225</u>	<u>17,848,909</u>	<u>21,907,791</u>	<u>18,149,201</u>

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

Public/ Government	639,825	639,825	639,825	-
Private	19,729,400	17,209,084	21,267,966	18,149,201
	<u>20,369,225</u>	<u>17,848,909</u>	<u>21,907,791</u>	<u>18,149,201</u>

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For the year ended December 31, 2015

43.1.1.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan	41,938,290	988,314,107	137,370,559	311,363,856
South Asia	253,907	16,590,625	286,284	6,108,032
Middle East	141,065	11,724,921	143,563	2,583,766
	42,333,262	1,016,629,653	137,800,406	320,055,654

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan	36,257,450	917,150,509	129,591,721	220,705,725
South Asia	224,687	12,923,675	266,592	5,470,217
Middle East	247,310	4,557,300	245,749	377,910
	36,729,447	934,631,484	130,104,062	226,553,852

Total assets employed include intra group items of Rs. NIL (2014: 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	2015			2014		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
(Rupees in '000)							
Corporate	1	20,357,275	-	20,357,275	11,939,397	-	11,939,397
	2	10,255,391	-	10,255,391	11,046,618	-	11,046,618
	3,4	1,085,755	-	1,085,755	2,084,712	-	2,084,712
	5,6	-	-	-	-	-	-
	Unrated	185,840,558	-	185,840,558	163,022,996	-	163,022,996
Bank	1	19,359,572	-	19,359,572	22,511,312	-	22,511,312
	2,3	3,521,336	-	3,521,336	708,589	-	708,589
	4,5	2,288,565	-	2,288,565	216,796	-	216,796
	6	464,416	-	464,416	1,126,231	-	1,126,231
	Unrated	753,505	-	753,505	669,757	-	669,757
Public Sector Entities in Pakistan	1	10,050,434	-	10,050,434	23,800,801	-	23,800,801
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	867,906	-	867,906
	Unrated	58,524,451	54,534,596	3,989,855	64,263,892	60,689,337	3,574,555
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash		60,910,577	-	60,910,577	31,134,075	-	31,134,075
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	10,535,659	-	10,535,659	2,486,790	-	2,486,790
	4,5	-	-	-	3,061,262	-	3,061,262
	6	941,056	-	941,056	-	-	-
Unrated	-	-	-	-	-	-	
Mortgage		3,799,281	-	3,799,281	3,663,941	-	3,663,941
Retail		21,630,200	-	21,630,200	20,454,000	-	20,454,000

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

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

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

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

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

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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. 963,379.404 million (2014: Rs. 890,489.176 million) the financial assets which are subject to credit risk amounting to Rs. 946,970.146 million (2014: Rs. 877,078.551 million). To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 509,825.898 million (2014: Rs. 474,684.635 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 30,354.642 million (2014: Rs. 17,604.220 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, 2015 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	158,254	16,699,111	1,213,938
Equity investments - others	-	205,948	10,578,185
Total value	158,254	16,905,059	11,792,123

Classification of equity investments

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

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

Policies, valuation and accounting of equity investments

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in subsidiaries and investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account directly.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

The cumulative realized gain of Rs. 2,125.293 million has been credited to profit & loss account from sale of equity securities; however unrealized gain of Rs. 380.594 million was recognized in the balance sheet in respect of "AFS" equity securities. Further net provision for impairment in value of equity investments amounting to Rs. 852.748 million has been charged 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, Risk Management Committee of management, ALCO and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. Market Risk seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

In line with regulatory requirements, MCB has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market Risk by using conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Bank has established a specific Market Risk Limit Policy providing guideline for assuming controlled market risk, its monitoring and management. These Limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Beside conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its treasury and capital market groups. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon.

A framework of stress testing, scenario analysis and reverse stress tests of both banking and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by senior management and also reported to the SBP.

The Bank is also exposed to interest rate risk both in trading and banking books. Risk numbers along with the marked to market values of government securities held by the Bank's treasury are generated on daily basis. The risk numbers include duration, PVBP, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

43.2.1 Foreign Exchange Risk Management

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

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

Limit structure to manage Foreign exchange risk is in place. Gap limits on different tenors in major currencies are in place to control risk. Bank's net open position and Foreign exchange exposure limit (FEEL) is monitored and reported on daily basis. Additionally, daily reports are generated to evaluate the exposure in different currencies. Risk management system generates VaR numbers for foreign exchange portfolio to estimate the potential loss under normal conditions. Stress testing of foreign exchange portfolio are also performed and reported to senior management. All these activities are performed on a daily basis.

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	2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	962,243,039	820,112,080	(4,822,266)	137,308,693
Sri Lankan Rupee	16,591,060	16,590,625	(62)	372
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	(32,559)
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>1,016,629,653</u>	<u>878,829,247</u>	<u>-</u>	<u>137,800,406</u>

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

43.2.2 Equity Price Risk

Bank's proprietary positions in the equity instruments expose it to the equity price risk in its trading and banking books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR analysis and stress testing of the equity portfolio are also performed and reported to senior management on daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index using certain assumptions. In addition to this Stress Testing and historical scenario analysis on Equities is also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

43.2.3 Country Risk

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

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

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

Notes to and forming part of the unconsolidated 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	2015										Not exposed to Yield/ Interest Risk	
		Total	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%	61,208,938	4,502,863	-	-	-	-	-	-	-	-	-	56,706,075
Balances with other banks	0.4% to 2.45%	3,681,893	1,514,764	-	-	-	-	-	-	-	-	-	2,167,129
Lendings to financial institutions	0.25% to 6.40%	5,132,480	2,867,744	-	2,264,736	-	-	-	-	-	-	-	-
Investments - net	0.24% to 13.40%	557,010,385	49,385,019	176,561,096	7,094,871	136,039,491	45,415,570	68,874,976	14,684,365	43,999,554	4,939,726	2,682,211	14,955,443
Advances - net	8.78%	314,124,939	221,243,601	34,594,440	6,901,881	4,601,863	15,100,634	11,370,344	12,690,239	4,939,726	-	-	22,220,769
Other assets - net		22,220,769	-	-	-	-	-	-	-	-	-	-	-
		963,379,404	279,513,991	211,155,536	13,996,752	142,906,090	60,516,204	80,245,320	27,374,604	48,939,280	2,682,211	-	96,049,416
Liabilities													
Bills payable		11,975,237	-	-	-	-	-	-	-	-	-	-	11,975,237
Borrowings	0.93% to 7.40%	118,459,448	85,656,671	8,247,323	19,611,110	2,495,439	2,448,905	-	-	-	-	-	-
Deposits and other accounts	4.0% to 11.64%	708,091,171	411,524,682	13,590,967	9,322,886	12,890,970	630,288	77,945	236,041	-	-	-	259,817,992
Other liabilities		24,944,237	-	-	-	-	-	-	-	-	-	-	24,944,237
		863,470,093	497,181,353	21,838,290	28,933,996	15,386,409	3,079,193	77,945	236,041	-	-	-	296,737,466
On-balance sheet gap		99,909,311	(217,667,362)	(189,317,246)	(14,937,244)	127,519,681	57,437,011	80,167,975	27,138,563	48,939,280	2,682,211	-	(200,688,050)
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	(7,403,736)	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(216,525,568)	(216,525,568)	(190,136,612)	(5,349,780)	120,109,945	57,437,011	80,167,975	27,138,563	48,939,280	2,682,211	-	-
Cumulative yield / interest risk sensitivity gap		(216,525,568)	(216,525,568)	(26,389,956)	(31,738,736)	88,371,209	145,808,220	225,976,195	253,114,758	302,054,038	304,736,249	-	-

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4.3.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk							Not exposed to Yield/ Interest Risk		
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		Over 5 to 10 years	Above 10 years
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0%	46,753,804	4,396,531	-	-	-	-	-	-	-	-	42,357,273
Balances with other banks	0.9% to 2.50%	3,015,624	809,966	-	-	-	-	-	-	-	-	2,205,658
Lendings to financial institutions	5% to 10.35%	1,418,181	1,418,181	-	-	-	-	-	-	-	-	-
Investments - net	5.66% to 13.40%	509,564,564	17,072,843	53,972,750	64,470,682	58,504,709	128,806,857	44,281,499	78,203,161	51,618,462	-	12,633,601
Advances - net	10.87%	303,559,480	252,678,394	17,370,169	8,157,975	4,508,711	5,895,645	6,554,249	4,351,912	1,434,621	2,607,804	-
Other assets - net		26,177,523	-	-	-	-	-	-	-	-	-	26,177,523
		890,489,176	276,375,915	71,342,919	72,628,657	63,013,420	134,702,502	50,835,748	82,555,073	53,053,083	2,607,804	83,374,055
Liabilities												
Bills payable		16,627,700	-	-	-	-	-	-	-	-	-	16,627,700
Borrowings	0.9% to 10%	59,542,861	31,414,474	17,371,426	5,297,275	2,750,905	2,708,781	-	-	-	-	-
Deposits and other accounts	6.5% to 11.64%	689,329,520	407,951,109	16,082,615	11,440,071	14,664,652	1,400,319	156,796	207,135	-	-	236,426,823
Other liabilities		25,748,913	-	-	-	-	-	-	-	-	-	25,748,913
		790,248,994	439,365,583	33,454,041	16,737,346	17,415,557	4,109,100	156,796	207,135	-	-	278,803,436
On-balance sheet gap		100,240,182	(162,989,668)	37,888,878	55,891,311	45,597,863	130,593,402	50,678,952	82,347,938	53,053,083	2,607,804	(195,429,381)
Off-balance sheet financial instruments												
Foreign exchange contracts Purchase		47,859,438	18,624,849	18,156,762	11,046,852	30,975	-	-	-	-	-	-
		47,859,438	18,624,849	18,156,762	11,046,852	30,975	-	-	-	-	-	-
Foreign exchange contracts sale		49,478,965	28,994,504	16,514,430	3,970,031	-	-	-	-	-	-	-
		49,478,965	28,994,504	16,514,430	3,970,031	-	-	-	-	-	-	-
Off-balance sheet gap		(1,619,527)	(10,369,655)	1,642,332	7,076,821	30,975	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(173,359,323)	(173,359,323)	39,531,210	62,968,132	45,628,838	130,593,402	50,678,952	82,347,938	53,053,083	2,607,804	-
Cumulative yield / interest risk sensitivity gap		(173,359,323)	(173,359,323)	(133,828,113)	(70,859,981)	(25,231,143)	105,362,259	156,041,211	238,389,149	291,442,232	294,050,036	-

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 unconsolidated Financial Statements

For the year ended December 31, 2015

Reconciliation to total assets	2015 (Rupees in '000)	2014	Reconciliation to total liabilities	2015 (Rupees in '000)	2014
Balance as per balance sheet	1,016,629,653	934,631,484	Balance as per balance sheet	878,829,247	804,527,422
Less: Non financial assets			Less: Non financial liabilities		
Investments	11,792,123	1,572,628	Other liabilities	3,982,565	3,881,328
Operating fixed assets	32,432,650	31,192,588	Deferred tax liability	11,376,589	10,397,100
Other assets	9,025,476	11,377,092		15,359,154	14,278,428
	53,250,249	44,142,308			
Total financial assets	963,379,404	890,489,176	Total financial liabilities	863,470,093	790,248,994

43.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Bank understands that liquidity does not come for free, and surplus liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Liquidity is essential to the ability to operate financial services businesses and, therefore, the ability to maintain surplus levels of liquidity through economic cycles is crucial, particularly during periods of adverse conditions, liquidity management is among the most important activities that the MCB conducts during both normal and stress periods. MCB recognizes that liquidity risk can arise from the Bank's activities and can be grouped into three categories:

- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

Liquidity Management

Asset Liability Management Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and crisis situation. Liquidity Strategy is also in place, to ensure that the Bank can meet its temporal liquidity needs and optimize the contribution towards the profitability of the Bank. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. As per assessments, the Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio as per Basel III are well within the prescribed limits.

MCB's liquidity risk management framework is designed to identify measure and manage in a timely manner the liquidity risk position of the Bank. The underlying policies and procedures include: Risk Management policy, Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy and Limit Structure which are reviewed and approved regularly by the senior management /Board members. MCB Bank also conducts Liquidity Risk Analysis on regular basis. MCB liquidity Risk Policy envisages to project the Bank's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling statement of financial position changes. MCB performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. MCB's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.

Intraday Liquidity Management

Intraday liquidity management is about managing the daily payments and cash flows. Bank has policies to ensure that sufficient cash is maintained during the day to make payments through local payment system. The policy of the Bank is to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet obligations, repay depositors and fulfill commitments.

Managing Funding Sources

Managing funding sources, as per policy MCB maintain a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash flows for meeting unexpected liquidity requirement. As a part of liquidity management MCB maintains borrowing relationships to ensure the continued access to diverse market of funding sources. MCB's sound credit rating together with excellent market reputation has enabled MCB to secure ample call lines with local and foreign banks. The level of liquidity reserves as per regulatory requirements also mitigates risks. MCB's investment in marketable securities is much higher than the Statutory Liquidity requirements.

Notes to and forming part of the unconsolidated Financial Statements

For the year ended December 31, 2015

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

2014

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets										
Cash and balances with treasury banks	46,753,804	46,753,804	-	-	-	-	-	-	-	-
Balances with other banks	3,015,624	3,015,624	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,418,181	1,418,181	-	-	-	-	-	-	-	-
Investments - net	511,137,192	16,234,092	55,541,660	60,407,842	60,188,404	136,874,636	48,860,752	78,626,653	52,830,625	1,572,628
Advances - net	303,559,480	42,243,916	39,709,486	27,024,432	11,639,070	53,941,472	52,059,901	56,002,124	18,330,827	2,608,252
Operating fixed assets	31,192,588	173,663	347,325	520,988	1,041,975	2,083,950	2,083,950	4,167,900	10,419,750	10,353,087
Deferred tax assets	415,891	5,458	10,915	16,373	54,366	65,491	263,268	-	-	-
Other assets - net	37,554,615	12,259,607	13,297,311	894,374	2,490,237	-	-	8,613,086	-	-
	935,047,375	122,104,345	108,906,687	88,864,009	75,414,072	192,965,549	103,267,871	147,409,763	81,581,102	14,533,967
Liabilities										
Bills payable	16,627,700	16,627,700	-	-	-	-	-	-	-	-
Borrowings	59,542,861	31,414,474	17,371,426	5,297,275	2,750,905	2,708,781	-	-	-	-
Deposits and other accounts	688,329,520	49,866,453	43,468,710	52,998,330	15,349,942	158,835,417	157,423,589	157,810,537	52,576,542	-
Deferred tax liabilities	10,812,991	56,455	59,066	52,682	189,985	1,971,757	578,539	4,751,963	2,477,168	675,376
Other liabilities	29,630,241	13,474,629	3,189,043	5,279,664	2,626,352	3,606,004	478,706	379,352	596,491	-
	804,943,313	111,439,711	64,088,245	63,627,951	20,917,184	167,121,959	158,480,834	162,941,852	55,650,201	675,376
Net assets	130,104,062	10,664,634	44,818,452	25,236,058	54,496,888	25,843,590	(55,212,963)	(15,532,089)	25,930,901	13,858,591
Share capital	11,130,307									
Reserves	48,830,005									
Unappropriated profit	46,947,863									
Surplus on revaluation of assets - net of tax	23,195,887									
	130,104,062									

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, 2015

43.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Bank's operational risk management framework, as laid down in the operational risk policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

Operational Risk Management helps the Bank understand risks and improve mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Bank. Going forward, the Bank will further strengthen its risk function, policies and procedures to facilitate its operations and improve quality of assets to safeguard interest of depositors.

43.5.1 Operational Risk-Disclosures Basel II Specific

Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, the Bank took a number of initiative with respect to operational risk management. The parallel run approval for Alternative Standardized Approach (ASA) was accorded by SBP during the current year. The bank will initiate further steps for improvement Operational Risk management in the bank.

Operational loss data pertaining to key risk events is also collected on bank-wide basis. Operational Risk Management Software (ORMS) has been in house developed 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

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

Description	Amount (Rupees in '000)	Reclassified	
		From	To
Provision reversed on sale of listed shares	491,342	Gain on sale of securities - net	Provision / (reversal) for diminution in the value of investments - net
Cafeteria expenses	30,598	Administrative Expenses - Others	Administrative Expenses - Entertainment Expenses

45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 09, 2016 has announced a final cash dividend in respect of the year ended December 31, 2015 of Rs. 4.00 per share (2014: Rs. 4.00 per share). These financial statements for the year ended December 31, 2015 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 09, 2016.



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Annexure - I

1. Particulars of Investments in listed companies & mutual funds-available for sale

Investee Entities	Note	Number of shares	Paid-up value per share (Rupees)	Total paid-up/nominal value (Rupees in '000)	Cost as at December 31, 2015
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	1.1	5,000,000	10	50,000	50,000
Fully Paid-up Ordinary Shares					
Allied Bank Limited		4,825,400	10	48,254	543,514
Archroma Pakistan Limited		127,550	10	1,276	28,456
Attock Petroleum Limited		898,526	10	8,985	460,680
Attock Refinery Limited		1,326,300	10	13,263	278,569
Bank Alfalah Limited		16,816,000	10	168,160	499,807
Bank Al-Habib Limited		13,555,028	10	135,550	482,808
The Bank of Punjab		10,420,500	10	104,205	97,082
Bestway Cement Limited		160,000	10	1,600	22,162
Cherat Cement Company Limited		2,039,000	10	20,390	176,141
Clover Pakistan Limited		181,900	10	1,819	20,803
Dawood Hercules Corporation Limited		2,798,700	10	27,987	363,869
Dolmen City REIT		15,879,804	10	158,798	174,678
Engro Corporation Limited		1,030,000	10	10,300	319,943
Engro Fertilizers Limited		5,938,000	10	59,380	507,492
Fauji Cement Company Limited		11,874,500	10	118,745	431,932
Fauji Fertilizer Bin Qasim Company Limited		360,000	10	3,600	21,717
Fauji Fertilizer Company Limited		10,327,100	10	103,271	1,194,625
Faysal Bank Limited		12,948,500	10	129,485	225,121
Fecto Cement Limited		2,794,500	10	27,945	235,159
Ferozsons Laboratories Limited		182,500	10	1,825	109,183
First Capital Mutual Fund		7,670	10	77	-
Habib Metropolitan Bank Limited		6,525,500	10	65,255	223,724
Honda Atlas Cars (Pakistan) Limited		479,300	10	4,793	116,273
Hum Network Limited		13,848,500	10	138,485	225,280
IGI Insurance Limited		418,480	10	4,185	92,099
International Steels Limited		4,544,000	10	45,440	126,850
K-Electric Limited		48,796,000	10	487,960	444,960
Kohat Cement Company Limited		1,200	10	12	243
Kot Addu Power Company Limited		11,921,500	10	119,215	1,037,331
Maple Leaf Cement Factory Limited		1,670,500	10	16,705	119,220
Mehr Dastagir Textile Mills Limited		1,616,912	10	16,169	16,169
Murree Brewery Company Limited		3,650	10	37	435
National Bank of Pakistan		6,936,000	10	69,360	486,539
National Foods Limited		13,950	5	70	1,566
National Refinery Limited		165,900	10	1,659	34,992
Nestle Pakistan Limited		62	10	1	399
Next Capital Limited		1,950,000	10	19,500	19,500
Oil & Gas Development Company Limited		2,130,235	10	21,302	462,277
Pak Elektron Limited		4,408,500	10	44,085	384,714
Pakcem Limited (formerly Lafarge Pakistan)		9,026,500	10	90,265	165,090
Packages Limited		661,300	10	6,613	430,896
Pakistan International Bulk Terminal Limited		2,455,500	10	24,555	69,139
Pakistan National Shipping Corporation		1,645,200	10	16,452	144,608
Pakistan Oilfields Limited		1,742,895	10	17,429	664,027
Pakistan Petroleum Limited		2,184,718	10	21,847	467,345
Pakistan State Oil Company Limited		966,800	10	9,668	332,543
Pakistan Reinsurance Company Limited		5,593,000	10	55,930	201,275
Pakistan Telecommunication Company Limited		15,465,000	10	154,650	348,666
PICIC Investment Fund		18,498,500	10	184,985	264,880
Pioneer Cement Limited		2,266,000	10	22,660	199,917
Rafhan Maize Products Limited		50,507	10	505	425,946
Saif Power Limited		14,010,500	10	140,105	502,169
Siemens Pakistan Engineering Company Limited		11,280	10	113	13,412
Sui Northern Gas Pipelines Limited		42,194,789	10	421,948	1,687,930
Treet Corporation Limited		2,334,500	10	23,345	169,152
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Food Pakistan Limited		867	10	9	1,364
United Bank Limited		3,820,907	10	38,209	549,346
Zulfqar Industries Limited		35,117	10	351	3,556
Carrying value before revaluation & provision					16,693,858
Provision for diminution in value of investments					(2,352,291)
Surplus on revaluation of securities					376,945
Market value as at December 31, 2015					14,718,512

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, 2015
National Investments Trust	National Investment Trust Limited	110,602	50	5,530	5,253
Carrying value before revaluation & provision					5,253
Provision for diminution in value of investments					(1,907)
Surplus on revaluation of securities					3,649
Market value as at December 31, 2015					6,995

1.1 These are redeemable after the end of the fourth year from June 2005 at the option of the issuer either in whole or multiples of 10% of outstanding issue at a price of Rs. 10 per share plus any accumulated preference dividend. Dividend rate is 6 months KIBOR + 200 bps per annum.

1.2 Particulars of Investments in listed companies Held for trading

	Number of shares	Paid-up value per share (Rupees)	Total paid up/ nominal value (Rupees in '000)	Cost as at December 31, 2015
Attock Refinery Limited	48,000	10	480	9,892
The Bank of Punjab	2,000,000	10	20,000	18,832
Engro Corporation Limited	45,000	10	450	12,472
Engro Foods Limited	42,500	10	425	6,269
Hum Network Limited	24,500	10	245	381
International Steel Limited	887,000	10	8,870	23,945
K-Electric Limited	7,336,500	10	73,365	55,794
Pakistan State Oil Corporation Limited	90,900	10	909	30,669
				158,254

Annexure - I

2. Particulars of Investment held in unlisted companies-available for sale

Company Name	Percentage of holding (%)	Number of shares / certificates held	Cost as at December 31, 2015	Net Asset Value of total investment	Based on audited financial statements as at	Name of Chief Executive
(Rupees in '000)						
Shareholding more than 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
Pak Asian Fund Limited	10.22%	1,150,000	11,500	19,973	June 30, 2015	Mr. Ashfaq A. Berdi
Central Depository Company of Pakistan Limited	10.00%	6,500,000	10,000	210,627	June 30, 2015	Mr. Mohammad Hanif Jakhura
			21,500			
Shareholding upto 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
First Capital Investment Limited		275,000	2,500	3,678	June 30, 2015	Mr. Shahzad Jawahar
First Women Bank Limited		23,095,324	63,300	218,335	September 30, 2015	Ms. Tahira Raza
National Institute of Facilitation Technology Private Limited		2,266,607	1,526	80,566	June 30, 2015	Mr. Haider Wahab
National Investment Trust Limited		79,200	100	695,292	June 30, 2015	Mr. Shahid Ghaffar
SME Bank Limited		1,490,619	10,106	2,771	September 30, 2015	Mr. Ihsan ul haq Khan
Islamabad Stock Exchange Limited		3,034,603	30,346	33,132	September 30, 2015	Mr. Mian Ayyaz Afzal
Society for Worldwide Inter Fund Transfer (SWIFT)		18	1,738	6,079	December 31, 2014	Mr. Gottfried Leibbrandt
Credit Information Bureau of Srilanka		300	22	23,325	December 31, 2014	Mr. Gamini Karunaratne
Lanka Clear (Private) Limited		100,000	727	5,726	March 31, 2015	Mr. Channa De Silva
Lanka Financial Services Bureau Limited		100,000	727	754	March 31, 2015	Mr. Mihindu Rajaratne
Pakistan Agro Storage and Services Corporation		2,500	2,500	338,451	March 31, 2015	Capt (R) Tariq Masud
Arabian Sea Country Club*		500,000	5,000	-	-	-
Al-Ameen Textile Mills Limited*		19,700	197	-	-	-
Ayaz Textile Mills Limited*		225,250	2,252	-	-	-
Custodian Management Services*		100,000	1,000	-	-	-
Musarrat Textile Mills Limited*		3,604,500	36,045	-	-	-
Sadiqabad Textile Mills Limited*		2,636,100	26,362	-	-	-
			184,448			
Cost of unlisted shares/ certificates/ units			205,948			
Provision against unlisted shares			(78,191)			
Carrying value of unlisted shares/ certificates/ units			127,757			

* These are fully provided unlisted shares.

Annexure - I

3. Particulars of investments in Term Finance Certificates and Sukuk Bonds- (refer note 9)

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2015	Name of Chief Executive
						(Rupees in'000)	
			(Rupees)				
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.	498,800	Mr. Atif Bajwa
Carrying value before revaluation						498,800	
Surplus on revaluation of securities						7,845	
Market value of listed TFCs (revalued amount)						506,645	
SUKUK BONDS - available for sale							
	Terms of Redemption			Rate of Interest	Currency		
	Principal	Interest					
Government of Pakistan Ijara Sukuks	At maturity	Half-yearly		Cut off yield of 6MT-Bills minus 200 bps	PKR	1,874,602	
WAPDA Bonds - Sukuk III	At maturity	Half-yearly		6M KIBOR plus 100bps	PKR	72,032	
Deficit on revaluation of securities						1,946,634	
Market value of Sukuk bonds						(8,679)	
						1,937,955	
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, 2015	Name of Chief Executive
						(Rupees in'000)	
			(Rupees)				
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	481,728	Mr. Atif Bajwa
Bank Al Habib Limited - issue no. IV	20,000	5,000	100,000,000	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each	99,820	Mr. Abbas D. Habib
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.	599,760	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.	299,820	Mr. Atif R. Bokhari
Azgard Nine Limited	13,878	5,000	69,390,000	NIL	In 7 semi-annual installments starting from 24th month	69,390	Mr. Ahmed Shaikh
Habib Bank Limited	300,000	5,000	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.	1,500,000	Mr. Nauman K. Dar
Pakistan Mobile Communication Limited	200,000	5,000	1,000,000,000	3 month KIBOR +2.00% p.a.	In 17 equal quarterly installments starting from 12th month after first disbursement and subsequently every three months.	235,294	Mr. Jeffery Hedberg
Carrying value of TFCs - HTM						3,285,812	

The above excludes unlisted term finance certificates, debentures, bonds and participation term certificates of companies which are fully provided for in these financial statements.

Annexure - I

4. Details of Bonds, Debentures and Federal Government Securities (refer note 9) - held to maturity

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency Amount ('000)	Carrying value as at December 31, 2015 (Rupees in '000)
	Principal	Interest				
Debentures						
Bank of Ceylon	At maturity	Half-yearly	Weighted Average Six Month T Bill Rate (Before Tax) + 0.75 %	LKR	250,000	181,775
Bank of Ceylon	At maturity	Half-yearly	6 Month Gross T Bill Rate + 1.25%	LKR	350,000	254,485
Sampath Bank	At maturity	Half-yearly	13.40%	LKR	64,610	46,978
NDB Bank	At maturity	Half-yearly	13.40%	LKR	62,760	45,633
NDB Bank	At maturity	Half-yearly	9.40%	LKR	180,000	130,878
Richard Pieris & Company PLC	At maturity	Half-yearly	10.75%	LKR	43,500	31,629
Siyapatha Finance Limited	At maturity	Half-yearly	8.90%	LKR	100,000	72,710
						764,088
Development Bonds						
Government of Sri Lanka	At maturity	Half-yearly	6 Month LIBOR + 400 BP	LKR	3,036,535	2,207,865
Sukuk Bonds						
Maple Leaf Cement Factory Limited Sukuk Bonds	In 8 unequal semi-annual installments.	Half-yearly	6 Month KIBOR+1.70%	PKR	-	125,766
Quetta Textile Mills Limited Sukuk Bonds	In 12 equal semi-annual installments.	Half-yearly	6 Month KIBOR+1.50%	PKR	-	37,241
K - Electric Limited- Sukuk Bonds	In 20 equal payments, on quarterly basis starting from 27th month.	Quarterly	3M KIBOR+1%	PKR	-	1,150,000
					-	1,313,007
Euro Bonds						
Islamic Republic of Pakistan - 2016 - Euro Bond	At maturity	Half-yearly	7.125%	US\$	1,986	208,016
Islamic Republic of Pakistan - 2017 - Euro Bond	At maturity	Half-yearly	6.875%	US\$	21,255	2,226,270
Islamic Republic of Pakistan - 2025 - Euro Bond	At maturity	Half-yearly	8.250%	US\$	3,087	323,342
						2,757,628
Certificates of Deposits						
Central Bank of UAE	At maturity	At maturity	0.24%	AED	33,000	941,031
Certificates of Investments						
Mashreq Bank Dubai	At maturity	At maturity	0.80%	AED	10,000	285,161

5 Investment in subsidiaries

Details of the Bank's subsidiary companies are as follows:

Name	% of holding	Country of incorporation	Year of incorporation
MCB Financial Services Limited	* 99.99	Pakistan	1992
MNET Services (Private) Limited	* 99.95	Pakistan	2001
MCB 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.

6. Summarized financial information of associated undertakings (refer note 9)

The gross amount of assets, liabilities, revenue, profit and net assets of associated undertakings are as follows:

Name of associated undertaking	Country of incorporation	Assets	Liabilities	Net assets	Revenue	Profit / (loss) after tax	% of interest held
(Rupees in '000)							
2015							
Euronet Pakistan (Private) Limited (unaudited 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	29.13%
2014							
Euronet Pakistan (Private) Limited (audited based on December 31, 2014)	Pakistan	252,856	39,200	213,656	258,208	2,240	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2014)	Pakistan	29,831,228	16,202,619	13,628,609	4,613,013*	1,388,740	29.13%

* Represents net premium revenue

Annexure - II

Islamic Banking Business Report of Shari’ah Advisor Board

In the name of Allah, the Beneficent, the Merciful

1. While the Board of Directors and Executive Management are solely responsible to ensure that the operations of Islamic Banking Group of MCB Bank Limited (MCB-IBG) 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 MCB-IBG.
2. To form our opinion as expressed in this report, the Shari’ah Compliance Department of MCB-IBG carried out reviews, of each class of transactions, products, process flows/modus operandi and concepts. Further, we have also reviewed the reports of the internal Management Shari’ah audit; we are of the view that Shari’ah Compliance Department has ensured Shari’ah Compliance in each and every activity undertaken by MCB-IBG.
3. 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 MCB-IBG has issued Four (4) Instructions & Guidelines & Two (2) Fatawas during the period. We are of the view that:
 - i. MCB-IBG has complied with Shari’ah rules and principles in the light of Fatawa, Instructions and Guidelines issued by Shari’ah Board.
 - ii. MCB-IBG 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. MCB-IBG 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 MCB-IBG did not earn any Non Shari’ah compliant income and thus no income was credited to Charity account. Further, on account of late payment due Charity was collected and disbursed as per following breakup:

(Rupees in ‘000)

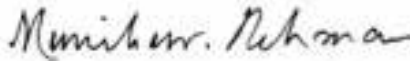
CHARITY FUND	
Opening Balance	19,681
Additions during the year	
Received from customers on delayed payments	2,897
Profit on charity saving account	527
	3,424
Payments / Utilization during the year	
Social welfare	(4,200)
Health	(8,000)
Education	(8,400)
Relief and disaster recovery	-
	(20,600)
Closing Balance	2,505

- v. MCB-IBG has complied with the SBP instructions on profit and loss distribution and pool management.
- vi. The level of awareness, capacity and sensitization of the staff, management and the BOD was found upto mark Shari’ah compliance for the products and processes of MCB-IBG.
- vii. The Shari’ah Board has been provided adequate resources enabling it to discharge its duties effectively.

Annexure - II

4. Further, the following are the significant Shari'ah related issues of the bank which have been taken up with its management; however, these are still outstanding.
- i. Non Shari'ah Compliant investment of MCB-IBG staff Provident Fund
 - ii. Medical Facilities through Non Shari'ah Compliant resources / Insurance Companies
 - iii. Proper implementation of Dress code

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 Muhammad Imran
Member Shari'ah Board

Date: January 27, 2016

Annexure - II

ISLAMIC BANKING BUSINESS

The Bank is operating 34 Islamic banking branches at the end of December 31, 2015 (2014: 27 branches).

Statement of Financial Position

As at December 31, 2015

	2015	2014
Note	(Rupees in '000)	
ASSETS		
Cash and balance with treasury banks	641,243	611,058
Balance with other banks	70,708	-
Lendings to financial institutions	2,264,736	-
Investments - net	3,106,576	3,707,589
Islamic financing & related assets	10,029,289	13,768,034
Operating fixed assets	2,456,473	2,175,818
Deferred tax assets	-	-
Other assets	52,342	67,535
	18,621,367	20,330,034
LIABILITIES		
Bills payable	86,461	96,574
Due to financial institution	419,700	515,200
Deposits and other accounts		
- Current accounts	1,921,745	1,127,464
- Saving accounts	3,482,141	1,978,248
- Term deposits	2,893,719	3,122,950
- Others	53,660	29,847
Deposits from financial institution - remunerative	2,881,441	4,728,287
Deposits from financial institution - non- remunerative	53,536	12
Due to head office	4,032,825	6,427,402
Deferred tax liability	-	-
Other liabilities	469,682	541,245
	16,294,910	18,567,229
	2,326,457	1,762,805
REPRESENTED BY		
Islamic banking fund	1,900,000	1,500,000
Other reserves	-	-
Unappropriated profit	366,766	243,462
	2,266,766	1,743,462
Surplus on revaluation of assets - net of tax	59,691	19,343
	2,326,457	1,762,805
Remuneration to Shariah Advisor / Board	3,595	2,150
CHARITY FUND		
Opening balance	19,681	2,877
Additions during the year		
Received from customers on delayed payments	2,897	20,919
Profit on charity saving account	527	885
	3,424	21,804
Payments / utilization during the year		
Social welfare	(4,200)	(2,000)
Health	(8,000)	(2,000)
Education	(8,400)	(1,000)
	(20,600)	(5,000)
Closing balance	2,505	19,681

Annexure - II

ISLAMIC BANKING BUSINESS

Profit and Loss Account

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
Income / return / profit earned	1,362,188	1,237,058
Income / return / profit expensed	547,494	807,047
	814,694	430,011
Provision against loans and advances - net	46,279	21,136
Provision for diminution in the value of investments	18,621	(21,136)
Bad debts written off directly	-	-
	64,900	-
Net profit / income after provisions	749,794	430,011
Other income		
Fee, commission and brokerage income	573,980	510,037
Dividend income	-	-
Income from dealing in foreign currencies	13,960	16,137
Other income	46,404	38,685
Total other income	634,344	564,859
	1,384,138	994,870
Other expenses		
Administrative expenses	1,016,243	750,350
Other provisions / write offs	-	-
Other charges	1,129	1,058
Total other expenses	1,017,372	751,408
Extra ordinary / unusual items	-	-
Profit for the year	366,766	243,462
Unappropriated profit brought forward	243,462	257,952
Transferred to head office	(243,462)	(257,952)
Unappropriated profit carry forward	366,766	243,462

Annexure - II

ISLAMIC BANKING BUSINESS Cash Flow Statement

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
Cash flows from operating activities		
Profit before taxation	366,766	243,462
Less: Dividend income	-	-
	366,766	243,462
Adjustments for non-cash charges		
Depreciation on fixed assets	483,096	396,904
Provision against loans and advances - net	46,279	21,136
Provision / (reversal) for diminution in the value of investments - net	18,621	(21,136)
Gain on disposal of fixed assets - net	(2,833)	(2,256)
	545,163	394,648
	911,929	638,110
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,264,736)	-
Islamic financing and related assets	3,692,466	(2,581,837)
Other assets - net	15,193	23,057
	1,442,923	(2,558,780)
Increase / (decrease) in operating liabilities		
Bills payable	(10,113)	(11,364)
Due to Financial Institution	(95,500)	(167,570)
Deposits and other accounts	299,434	(177,921)
Other liabilities	(71,563)	(188,028)
	122,258	(544,883)
	2,477,110	(2,465,553)
Income tax paid	-	-
Net cash flows from operating activities	2,477,110	(2,465,553)
Cash flows from investing activities		
Net investments in 'available-for-sale' securities	1,768,601	(1,009,253)
Net investments in 'held-to-maturity' securities	(1,145,862)	74,131
Due to Head office	(2,394,577)	4,529,075
Profit remitted to Head Office	(243,462)	(257,952)
Sale proceeds of operating fixed assets disposed off	89,943	61,025
Investment in operating fixed assets	(850,860)	(930,212)
Net cash flows from investing activities	(2,776,217)	2,466,814
Cash flows from financing activities		
Injection of capital	400,000	-
Net cash flows from financing activities	400,000	-
Increase / (decrease) in cash and cash equivalents	100,893	1,261
Cash and cash equivalents at beginning of the period	611,058	609,797
Cash and cash equivalents at end of period	711,951	611,058

Annexure - II

ISLAMIC BANKING BUSINESS

Notes to the annexure II

For the year ended December 31, 2015

		Notes	2015 (Rupees in '000)	2014
A-II.1	Islamic Financing and Related Assets			
	Murabaha	A-II.1.1	6,806,690	12,097,673
	Ijarah	A-II.1.2	71,872	108,984
	Diminishing Musharakah	A-II.1.3	3,096,137	1,679,147
	Istisna	A-II.1.4	150,000	-
	Gross advances		10,124,699	13,885,804
	Provision held	A-II.1.5	(95,410)	(117,770)
			10,029,289	13,768,034
A-II.1.1	Murabaha			
	Financing/Investments/Receivables		1,727,260	4,534,519
	Advances		238,217	1,036,720
	Assets/Inventories		4,841,213	6,526,434
			6,806,690	12,097,673
A-II.1.2	Ijarah			
	Advances		71,872	108,984
			71,872	108,984
A-II.1.3	Diminishing Musharakah			
	Financing/Investments/Receivables		1,672,200	1,554,785
	Advances		1,423,937	124,362
			3,096,137	1,679,147
A-II.1.4	Istisna			
	Advances		150,000	-
			150,000	-
A-II.1.5	Particulars of provision against advances			
	Opening balance		117,770	96,634
	Provision made during the year		46,279	21,136
	Transferred to head office		(68,639)	-
	Closing balance		95,410	117,770
A-II.2.1	MCB Islamic Banking Division is maintaining following pools for profit declaration & distribution.			
	I) General Pool			
	II) IERS Musharakah Pool			
	III) AAFM Pool			
	IV) AAFM FCIF Pool Commercial Metal			

Annexure - II

Features, risks & rewards of each pool are given below:

I) General Pool

a) Priority of utilization of Funds in the general pool shall be

- Depositor Funds
- Placements/ Investments of other IBI
- Mudarabah placements of MCB (Principal Office)
- Equity Funds

b) Weightages for distribution of profit in general pool

Assignment of weight-age for profit distribution to different type of profit bearing sources of funds is as follows:

While considering weight-ages emphasis shall be given to the quantum, type and the period of risk assessed by following factors.

- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk
- Weight-ages for general pool shall be determined & declared on monthly basis prior to commencement of next month's business in order to provide an opportunity to the customers/ fund providers to exercise their option of either to keep or withdraw their deposits/ funds.

Any change in profit sharing weight-age of any category of deposit/ fund providers shall be applicable from the next month.

c) Identification and allocation of pool related income & expenses

The allocation of income and expenses to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenses shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by MCB IBIs as Mudarib. The direct expenses to be charged to the pool may include depreciation of Ijarah assets, cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc., impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; MCB IBIs pool management framework and the respective pool creation memo may identify and specify these and any other similar expenses to be charged to the pool.

d) Parameters associated with risk & rewards

Following are the considerations attached with risk & reward of general pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of Islamic Banking Branches & MCB-IBD.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

II) IERS Musharakah Pool

All the features and other detail of this pool are in accordance with the SBP IERS Scheme and all circulars and instructions issued from time to time in this regard.

III) AAFM Pool**a) Priority of utilization of Funds in the AAFM pool shall be**

- Mudarabah placements of MCB (Principal Office)
- Equity Funds

b) Weightages for distribution of profit in AAFM pool

Assignment of weight-age for profit distribution to different type of profit bearing sources of funds is as follows:

- While considering weight-ages emphasis shall be given to the quantum, type and the period of risk assessed by following factors.
- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity
- Magnitude of risk
- Weight-ages for AAFM pool shall be determined & declared on monthly basis prior to commencement of next month's business in order to provide an opportunity to the customers/ fund providers to exercise their option of either to keep or withdraw their deposits/ funds.

Any change in profit sharing weight-age of any category of deposit/ fund providers shall be applicable from the next month.

c) Identification and allocation of pool related income & expenses

The allocation of income and expenses to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenses shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by MCB IBIs as Mudarib. The direct expenses to be charged to the pool may include depreciation of Ijarah assets, cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc., impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; MCB IBIs pool management framework and the respective pool creation memo may identify and specify these and any other similar expenses to be charged to the pool.

d) Parameters associated with risk & rewards

Following are the considerations attached with risk & reward of AAFM pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

IV) AAFM FCIF Pool Commercial Metal**a) Priority of utilization of Funds in the AAFM FCIF Commercial Metal shall be**

- Mudarabah placements of MCB (Principal Office)
- Equity Funds

b) Weightages for distribution of profit in FCIF Commercial Metal

Assignment of weight-age for profit distribution to different type of profit bearing sources of funds is as follows:

- While considering weight-ages emphasis shall be given to the quantum, type and the period of risk assessed by following factors.
- Contracted period, nature and type of deposit/ fund.
- Payment cycle of profit on such deposit/ fund, i.e. monthly, quarterly or on maturity

Annexure - II

- Magnitude of risk
- Weight-ages for AAFM FCIF Commercial Metal Pool shall be determined & declared on monthly basis prior to commencement of next month's business in order to provide an opportunity to the customers/ fund providers to exercise their option of either to keep or withdraw their deposits/ funds.

Any change in profit sharing weight-age of any category of deposit/ fund providers shall be applicable from the next month.

c) Identification and allocation of pool related income & expenses

The allocation of income and expenses to different pools is being done based on pre-defined basis and accounting principles as mentioned below:

The direct expenses shall be charged to respective pool, while indirect expenses including the establishment cost shall be borne by MCB IBs as Mudarib. The direct expenses to be charged to the pool may include insurance / Takaful expenses of pool assets, stamp fee or documentation charges etc., impairment / losses due to physical damages to specific assets in pools etc. However, this is not an exhaustive list; MCB IBs pool management framework and the respective pool creation memo may identify and specify these and any other similar expenses to be charged to the pool.

d) Parameters associated with risk & rewards

Following are the considerations attached with risk & reward of AAFM FCIF Commercial Metal Pool:

- Period, return, safety, security and liquidity of investment
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

A-II.3 Avenues/sectors of economy/business where Mudaraba based deposits have been deployed:

	2015	2014
	(Rupees in '000)	
Chemical and Pharmaceuticals	1,221,381	293,258
Textile	762,210	1,670,182
GOP Ijarah Sukuk	1,946,634	3,756,315
Sugar	-	37,475
Services	1,260,174	124,479
Ship Breaking	2,717,607	3,497,006
Food & Tobacco	4,835,814	6,634,897
Others	514,754	1,628,807
	13,258,574	17,642,419

A-II.4 Basis of Profit Allocation:

Profit was distributed between Mudarib & Rabb ul Maal with below profit sharing ratio based upon Gross Income approach (Gross Income less Direct Expenses)

Rabb ul Maal	50%
Mudarib	50%

Charging Expenses

The direct expenses are being charged to respective pool, while indirect expenses including the establishment cost is being borne by MCB IB as Mudarib. The direct expenses to be charged to the pool may include depreciation of Ijarah assets, cost of sales of inventories, insurance / Takaful expenses of pool assets, stamp fee or documentation charges, brokerage fee for purchase of securities/commodities etc., impairment / losses due to physical damages

Annexure - II

to specific assets in pools etc. However, this is not an exhaustive list; MCB IB pool management framework and the respective pool creation memo may identify and specify these and any other similar expenses to be charged to the pool.

Provisions

The general and specific provisions created against non-performing financings and diminution in the value of investments as under prudential regulations and other SBP directives shall be borne by the MCB IB as Mudarib. However, write-offs of financings and loss on sale of investments shall be charged to respective pool along with other direct expenses.

The losses on financings and investments due to misconduct/negligence/breach of contract by MCB IB shall not be charged to the pool; the MCB IB as Mudarib shall be responsible for absorbing such losses. The financing approved and disbursed and investment made in contravention to the prudential regulations or the MCB IB's own policies, procedures and processes as determined by internal auditor, external auditor and/or SBP inspection team will be treated as the negligence on the part of the MCB IB.

A-II.5 Mudarib Share (in amount and Percentage of Distributable income)

	2015		2014	
	(Rupees in '000)	%	(Rupees in '000)	%
Rabb ul Maal	456,406	69%	674,103	69%
Mudarib	203,846	31%	307,390	31%
Distributable Income	660,252	100%	981,493	100%

A-II.6 Amount & percentage of Mudarib share transferred to depositors through Hiba

	2015	2014
	(Rupees in '000)	
Mudarib Share	203,846	307,390
Hiba	-	42,598
Hiba percentage of Mudarib Share	0.00%	14%

A-II.7 Profit Rate Earned vs Profit rate Distributed to the depositors during the year:

	2015	2014
*Profit Rate Earned	7.49%	9.15%
Profit Rate distributed to Depositors	2.59%	6.66%

* The profit rate earned means the return on earning assets.

Annexure - III

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2015

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal Written off	Interest/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name			Principal	Int/Acc/Map	Others	Total				
		Name	CNIC No.									
1	Munir-ul-Haq Hasni House # 241, Near Kubra Masjid, Samanaabad, Lahore.	Munir-ul-Haq Hasni	35200-1406451-9 33100-1001826-5	Siraj ul Haq Hasni Muhammad Aslam	-	1,256	52	1,308	-	-	1,308	1,308
2	Asad Naeem Malik House No. 572, Block A-1, M.A. Jaffer Town, Lahore.	Asad Naeem Malik	35202-9492487-3	Malik Rehmat Ullah	-	1,037	110	1,147	-	-	1,147	1,147
3	Mohammad Farooq Textile Mills Ltd. Plot No. 6 & 7, Sector 21, Korangi Industrial Area, Karachi.	M. Farooq Sumar Sabha Sumar M. Mukhtar Sumar Naeefar Sumar Naheed Mukhtar Sumar Faiza Imran Ahmed Jamal Naseem Fahmida Rashid Chhapra Ifkhar Ahmed Bashir Fauzia Asad Rashid Jan Muhammad Chhapra Shahid Nazir Ahmed	42301-6062062-9 42201-1154169-2 42201-3324087-3 42301-3757138-2 42201-5913508-4 42301-9047681-4 35201-2327341-9 42000-0505253-0 61101-1991024-5 42301-0823942-0 42301-1063892-1 42301-8961574-3	Abul Karim Sumar Sathianat Han Not available Muhammad Jogndar Not available Imran Ahmed Muhammad Naseem Ansari Rashid Jan Muhammad Chhapra Muhammad Bashir Asad Mehmood Jan Muhammad Chhapra Nazir Ahmed	21,013	13,149	34	34,196	21,013	-	13,183	34,196
4	Mehran Traders A-1534, Qureshi Road, Old Sukkur, Sukkur.	Faizullah Khan	45504-1099389-3	Haji Inamullah Khan	-	5,578	18	5,596	-	-	5,596	5,596
5	Pakeeza Traders Shop No. 01, E-473, Malik Waheed Electric Market, Shah Alam Gate, Lahore.	Muhamamd Sadiq	35202-2807321-9	Din Muhammad	-	1,492	133	1,625	-	-	1,625	1,625
6	Zain Feed & Poultry Farms Housing Colony No. 01 House No. P-12 Samundari	Shoaib Aziz	33105-2579519-7	Aziz Ahmad	-	838	-	838	-	-	838	838
7	Zain Oil Mills Housing Colony No. 01, House No. P-12 Samundari	Shoaib Aziz	33105-2579519-7	Aziz Ahmad	-	711	-	711	-	-	711	711
8	Fazal Mehmood Khan House No. 54/1, Block E-1, Gulberg III, Lahore	Fazal Mehmood Khan	35202-6626707-1	Abdul Waheed Khan	-	6,252	69	6,321	-	-	6,321	6,321
9	Ikram-ul-Haq House# 211, Block Z, Phase-III, DHA, Lahore	Ikram-ul-Haq	35201-7634131-5	Malik Fida Hussain	1,375	2,559	107	4,041	1,375	-	2,666	4,041
10	Amjad Kamran House No. 9, Street No. 1, Airforce Housing Scheme, Falcon Complex, Rawalpindi	Amjad Kamran	37405-9409959-7	Atta Ullah Qureshi	-	2,183	134	2,317	-	-	2,317	2,317
11	Muhammad Abid Hassan House No. 84, Faisal Town, Vehari	Muhammad Abid Hassan	36603-6866239-7	Muhammad Ramzan	-	3,049	150	3,199	-	-	3,199	3,199
12	Shan Cotton Factory Super High Way Road, Bassi Road, Jahanian	Khalil Ahmad Shabir Ahmad	35201-9630718-7 36101-1467614-3	Abdul Hameed Abdul Hameed	-	4,971	60	5,031	-	-	5,031	5,031
13	Imran Siddique 2-32 Main Habib Ullah Road Lahore	Imran Siddique	35202-0685787-5	Muhammad Siddique	-	1,007	56	1,063	-	-	1,062	1,062
14	Liaqat Corporation Shop No. 2, Itehad Bazar, Azam Cloth Market, Lahore	Hafiz Liaqat Ali	35201-2442925-1	Muhammad deen	-	797	87	884	-	-	884	884
15	Akhter Commission Shop Hatizabad Road, Rasoolpur Tajar, Tehsil Pindi Bhatian District Hatizabad.	Akhter Ali	90403-4878139-5	Shaukat Ali	-	1,840	302	2,142	-	-	2,142	2,142

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2015

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
		CNIC No.			Principal	Intt/Acc/Map	Others	Total				
		Name										
16	Naveed Raees House No. B-48, Block 13-D/1, Gulshan-e-Iqbal, Karachi	Naveed Raees	42201-4114979-7	Raees Ahmed	-	2,305	227	2,532	-	-	2,531	2,531
17	Muhammad Shakir Qureshi Mst. Parveen Saeed Flat # G-2, Ground Floor, Erum Centre, Sub-Plot # FL-21, Block-16, KDA Scheme # 24, Gulshan-e-Iqbal, Karachi	Muhammad Shakir Qureshi Parveen Saeed	42201-7985431-1 42201-8425092-8	Saeed Ahmed Qureshi Saeed Ahmed Qureshi	-	1,437	-	1,437	-	-	1,437	1,437
18	M. Sarfraz Muhammad Park, street # 9, Wandat Colon, Gujranwala.	M. Sarfraz	34101-8438519-9	M. Sharif	-	730	52	782	-	-	782	782
19	Khalid Imitiaz Pasupur, Tarrar near Al-Manzoor Rice Mills Tehsil Pindi Bhattian, District Gujranwala.	Khalid Imitiaz	34302-4497597-3	Imtiaz Ahmed	-	2,549	-	2,549	-	-	2,549	2,549
20	Hassan Brothers Shorkot Road, Pir Mahal.	Abdul Ghaffar Arshad	33302-2204296-3	Fazal Muhammad	-	549	-	549	-	-	549	549
21	Faisal Siddiq Mughal & Khadija Khanum House No. 9-A, Muslim Block, Alama Iqbal Town Lahore	Faisal Siddiq Mughal Khadija Khanum	35202-3010052-5 35202-2803524-6	Muhammad Siddiq Mughal Muhammad Siddiq Mughal	-	2,632	-	2,632	-	-	2,632	2,632
22	Outre Executive 3-G, Ijaz Centre, Main Boulevard, Gulberg-III, Lahore	Abid Masood	35202-9495167-9	Faqir Muhammad	-	682	-	682	-	-	682	682
23	"Malik Ayaz and Co. House No. 1080, Street Mulla Fazal Gani, Sector II, Peshawar	Muhammad Ayaz	17301-6140969-7	Shad Muhammad	-	702	43	745	-	-	745	745
24	Ilyas Ali Chohan 281-G, Gulshan-e-Ravi Lahore	Ilyas Ali Chohan	35202-2966683-9	S/o Ali Muhammad	-	561	-	561	-	-	561	561
25	Izharuddin Flat # 6, 1st Floor, Siddique Rind Mansion, Moolvi M Usman Road, Alt Chowk, Lee Market, Karachi	Izharuddin	42301-3938551-5	Mohiuddin	667	549	417	1,633	-	-	880	880
26	Nisar Traders Al-Riaz Park Fansra Road Gojra Distt. Toda Itak Sringh.	Fahim Nisar Nisar Ahmed	33301-0231042-7 33301-8486172-7	Nisar Ahmed Inayat Hussain	-	766	-	766	-	-	766	766
27	Ashraf Flour Mills Main Channu Kaimand Road Burewala	Rana Muhammad Muzaffar	36601-3611220-3	Rana Muhammad Ashraf	-	1,682	-	1,682	-	-	1,682	1,682
28	Ashraf Rice Mills Main Channu Kaimand Road Burewala	Rana Muhammad Muzaffar	36601-3611220-3	Rana Muhammad Ashraf	-	1,442	-	1,442	-	-	1,442	1,442
29	Ashraf Oil Mills Main Channu Kaimand Road Burewala	Rana Muhammad Muzaffar	36601-3611220-3	Rana Muhammad Ashraf	-	1,318	-	1,318	-	-	1,318	1,318
30	Zaidi & Sons Commercial Market, Usman Plaza, Property No. 370, Ward D, Jalalpur Road, Shujaabad.	Ahsan Mehmood Zaidi	36304-1405717-3	Syed Farzand Ali	-	2,043	-	2,043	-	-	2,043	2,043
31	Amir Yousaf House # 683 Block - C, Canal View Housing Society, Lahore	Amir Yousaf	35202-7442465-5	Muhammad Yousaf Bhatti	6,740	1,924	17	8,681	-	-	2,114	2,114

Annexure - III

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2015

Sr. No	Name & Address of the Borrower	Name of individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Interest/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name	CNIC No.		Principal	Int/ Accr/ Mup	Others	Total			
32	Nasim Zia Butt House No. 578-Block M, Model town Extension, Lahore	Nasim Zia Butt.	35202-5682119-3	Khawaja Zia Uddin Butt	-	1,482	258	1,740	-	1,740	1,740
33	Gleamy Traders Gleamy Street, Saleem Town, Pasrur Road Tehsil & District Sialkot.	Ch. Muhammad Rasheed Usman Ahmad Navaz Ahmad	34603-2522238-3 34603-2522833-3 34603-4279447-3	Aliah Rakha Ameer Ali Ameer Ali	-	4,590	109	4,699	-	4,699	4,699
34	M. Shaikat & Brothers 29-B Temple Road, Lahore	Haji Shahab Ud Din Imran Shaikat Wahdeeda Shaikat	35101-2514252-9 35202-9191446-3 35202-9360179-0	Haji Umar Din Mian Shaikat Ali Mian Shaikat Ali	1,999	997	65	3,061	-	1,079	1,079
35	Muhammad Ali House # 9 A, Hassan Street, Ghousia Colony, Wandaat Colony, Lahore.	Muhammad Ali	35202-4918766-9	Sheikh Rustam Ali	4,307	1,127	20	5,454	-	1,217	1,217
36	Irum Zubair House # 147-D, Model Town, Lahore	Irum Zubair Naveed Ahmed Sh. Zubair Ahmed	35202-2784582-2 35202-5770955-5 35202-3988608-5	Sh. Zubair Ahmed Sh. Zubair Ahmed Sh. Nazir Ahmed	2,287	3,199	-	5,486	-	3,219	3,219
37	Saud Sarwar House No.A-369, Sector 11-B, North Karachi Township, Karachi.	Saud Sarwar	42101-7551165-7	Muhammad Sarwar Siddiqui	-	5,032	121	5,153	-	5,153	5,153
38	Muhammad Waseem Kotwal House No.P-R-32, Anarkali Housing Society No.2, Karachi	Muhammad Waseem Kotwal	42101-2179635-9	Muhammad Yousuf Kotwal	-	331	523	854	-	854	854
39	Muhammad Nasir Butt House # B-111, Block - D, North Nazimabad, Karachi	Muhammad Nasir Butt	42101-6225186-1	Haji Nazir Hussain	2,798	4,374	33	7,205	-	3,834	3,834
40	Zahoor Brothers NP-9/15, Gulam Shah Street, Juna Market, Karachi	Abdul Sattar Khan	42201-2594297-1	Noor Muhammad Khan	5,779	2,461	33	8,273	-	2,548	2,548
41	Badr Board Mills Plot No. 27, Sector 15, Korangi Industrial Area, Karachi	Tariq Abbas Khan Niazi Asad Abbas Khan Niazi Aaqib Abbas Khan Niazi Shahina Niazi Asad Abbas Khan Niazi Shireen Asad Niazi	42301-9055447-7 42301-3844948-3 42301-1344556-7 42301-4600448-8 42301-7504631-3 42301-6303114-6	Col. (Retd.) Luftullah Khan Tariq Abbas Khan Niazi Tariq Abbas Khan Niazi Tariq Anmas Niazi Col. (Retd.) Luftullah Khan Asad Abbas Niazi	-	11,169	-	11,169	-	11,169	11,169
42	Sahar & Co. House No. B-20, Sector - Y, Sub Sector-I, Scheme-45, Gulshan-e-Maymar, Karachi.	Shafiq Daud	42401-5180123-7	Noor Dad Khan	-	2,131	110	2,241	-	2,241	2,241
43	Haji Umar Hayat & Sons Shop No. 141, Ghailah Mandi, Dijkot Road, Faisalabad	Haji Umar Hayat	33100-6501131-5	Haji Muhammad Boota	-	657	-	657	-	657	657
44	Kami Packages 6-KM Rawind Road, Ashrafiabad Near Ali Raza Aباد Lahore	Mirza Imdad Ali	35202-0383762-7	Anwar Ali	-	998	-	998	-	998	998
45	Muhammad Saleem Akhter House No. L-402, Sector 11-C-1, North Karachi, Karachi	Muhammad Saleem Akhter	42101-9719588-3	Haji Muhammad Boota	2,118	1,805	76	3,999	-	1,892	1,892
46	Shahzad & Co Ghaila Mandi Gharbi, Hafizabad.	M. Boota	34301-3684864-1	Liaqat Ali	-	5,037	100	5,137	-	5,137	5,137

(Rs. in '000)

Annexure - III

Statement showing written-off loans or any other financial relief of five hundred thousand or above provided during the year 2015

Sr. No	Name & Address of the Borrower	Name of Individuals/Partners/Directors		Father's/Husband's Name	Outstanding Liabilities at Beginning of Year			Principal Written off	Interest/ Markup Written off	Other Fin. Reliefs Provided	Total	
		Name	CNIC No.		Principal	Intt/Accr/Mup	Others					Total
47	Nobel Thread P-70, St. # 3, Taj Colony, Faisalabad	Muhammad Tariq	33100-7025101-5	Rasheed Ahmad	-	763	-	-	-	763	763	
48	Javid Iqbal Chak # 286 RB, Main Bazar, Khurramwala, Faisalabad	Javid Iqbal	33104-0429402-5	Muhammad Iqbal	-	767	-	-	-	767	767	
49	Sarfraz Muhammad House No. CB-1805, Ali Street Muhallah Numbardaraan Abadi No. 2, Near Ghosia Masjid, Tench Bhatta Rawalpindi	Sarfraz Muhammad	37405-6085617-5	Ishad Muhammad	-	524	27	-	-	551	551	
50	Rana Muhammad Shahid Hanif H.No. 209 Block-3, Sector B/II Township Lahore	Rana Muhammad Shahid Hanif	35202-2252247-7	Rana Muhammad Hanif	-	577	108	-	-	685	685	
51	Y2K Trading Company, 1st Floor, Amir Market, Chamber Lane Road, Lahore	Ruqia Mussavi	42201-1225747-4	Mir Turab Ali Rizwan	1,254	893	177	-	-	2,324	974	
52	Sobia Sarwar House # 29-C, Model Town Extension, Lahore.	Sobia Sarwar	35202-5781836-4	Ghulam Sarwar Noor	1,906	2,890	114	-	-	4,910	3,001	
53	Kamran Azeem B-175, Block J, North Nazimabad, Karachi	Kamran Azeem	42101-4650922-9	Abdul Azeem	2,204	6,017	-	-	-	8,221	3,386	
54	Kohinoor Smiths (Pvt) Ltd. 10.5 KM, Rawind Road Lahore	Fariha Saigol Mian Aftab Saigol	35201-0299529-6 35201-4038066-1	Mian Aftab Saigol Mian Yousef Saigol	18,483	9,522	400	-	-	28,405	10,359	
55	Muhammad Saleem House # A-65, Block-15, Gulistan-e-Jauhar, Karachi	Muhammad Saleem	42000-0575676-7	Karamat Ullah	537	1,744	137	-	-	2,418	1,885	
56	Muhammad Rafiq Flat # 713, 7th floor, Sea Breeze Condominium Apartment, Block # 2, Scheme No.5, Clifton, Karachi	Muhammad Rafiq	42301-1009256-5	Faizd	2,818	1,260	108	-	-	4,186	1,254	
57	Muhammad Irfan Hawwa Bai Manzil, House # 1064/3, FB, Area, Block-3, Hussainabad, Karachi	Muhammad Irfan	42101-8311600-1	Muhammad Hanif	-	1,583	33	-	-	1,616	1,616	
58	Azmat Mehmood House No. 24, Al Akram Park, Shabbagh Lahore.	Azmat Mehmood	35202-8800271-7	Muhammad Sabir	3,204	943	89	-	-	4,216	1,075	
59	Liaquat Ali Khan Banglow # D-101, Block # 4, KDA scheme No.24, Gulistan-e-Iqbal, Karachi.	Liaquat Ali Khan	42201-0639388-3	Bahadur Khan	-	563	33	-	-	596	596	
60	Business Developers Office # 186/1, Faisal Centre, Mezzanine Floor, Colony Gate, Main Shahr-e-Faisal, Karachi	Yaseer Jaffer	42201-0614063-1	Tanveer Jaffer	3,559	10,419	229	-	-	14,207	10,733	
61	Muhammad Asif Khan & Shahnaz Parveen Village & Po Dhullai, Chakwal	Muhammad Asif Khan Shahnaz Parveen	37201-1679461-9 37201-1639193-8	Muhammad Yaqub Ameer Afzal	-	543	85	-	-	628	628	
62	Mehmood Ali B-III-730/97, Street No. 25, Khurram Colony, Muslim Town, Sadq Abad, Rawalpindi	Mehmood Ali	37405-2147405-5	Abdul Khaliq	373	631	-	-	-	1,004	648	

(Rs. in '000)

Annexure - III

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		Name	CNIC No.		Principal	Intt/Acc/Mup	Others	Total			
63	Admiral Sreetary Fitings Kangriwala Bypass, G1 Road, Gujranwala	Babar Wahneed	34101-4726276-5	Muhammad Rafique	-	1,516	-	1,516	-	1,516	1,516
64	Faizan Aziz Kardar House No. 141, Phase-I, Canal View Housing Society, Lahore	Faizan Aziz Kardar	35202-2594482-9	Abdul Aziz Kardar	-	3,089	-	3,089	-	3,089	3,089
65	Khalid Hayat H.No. 5-B Block G Hameed Park, Johar Town Lahore	Khalid Hayat	35202-2971002-1	M H Hanif	-	633	-	633	-	633	633
66	Khawaja Anees Ur Rehman House No. W-261, Phase-III, DHA, Lahore	Khawaja Anees Ur Rehman	35201-5422478-1	Khawaja Abdul Khaliq	-	1,468	-	1,468	-	1,468	1,468
67	Muhammad Faisal Qureshi Plot # LR-6/20, Ashram Building, Kaka Street, Nishtar Road, Karachi	Muhammad Faisal Qureshi	42301-1488280-3	Muhammad Manzoor Qureshi	543	1,263	-	1,806	-	837	837
68	Imran House No. 254, Block A, Karm Park, Rawi Road, Lahore	Imran	35202-2133405-3	Sh. Muhammad Atzaal	1,394	1,335	-	2,729	-	524	524
69	Mohammad Khalil Uddin House No. 224 - C, Faisal Town, Lahore	Mohammad Khalil Uddin	35202-0910488-5	Abdul Rehman	133	730	-	863	-	1,167	1,167
70	Faisal Laeeq & Shaheen Laeeq Flat # 802-A, 8th Floor, Bon Vista Apartments, Sub-Plot # II, Plot # FL-14, Block-2, KDA Scheme # 5, Kenkeshan Clifton, Karachi.	Faisal Laeeq Shaheen Laeeq	42301-3545293-5 42301-0181228-8	Laeeq Ahmed Laeeq Ahmed	-	4,050	132	4,182	-	4,182	4,182
71	Pak Thermocare 15 KM Mullan Road Lahore	Muhammad Saleem Farukh Rasheed Amnara Saleem	35202-8298771-3 35202-1127364-7 35202-1233871-2	Rashid Ud Din Rashid Ud Din Muhammad Saleem	1,300	829	-	2,129	-	612	612
72	Tahir Javaid Ch. Rice Mills More Emanabad Village Senarsara Goleya, Gujranwala	Tahir Javaid	34101-9774273-5	M.Siddique	2,442	1,347	116	3,905	-	1,484	1,484
73	Kajla Brothers Pindi Bhattian Road, Jalalpur Bhattian, Near Saira Hospital, Tehsil Pindi Bhattian, District Hafizabad	Muhammad Hayat	34302-1250050-1	Jalal Din	2,731	1,376	171	4,278	-	1,630	1,630
74	Khan Roller & General Flour Mills Samanabad Bypass Road Gujranwala	Muhammad Fahad Hassan Muhammad Neam Khan Muhammad Amin Khan Muhammad Maroof Muhammad Farooq Muhammad Zakria Noor	35202-2948401-3 34101-4929788-7 34101-7033614-5 81202-1007682-1 81302-1518496-9 35202-2809942-5	Ch. Sana Ullah Muhammad Ayub Khan Muhammad Ayub Khan Ch. Muhammad Nazir Ch. Muhammad Nazir Ch. Alta Ebbi	2,514	2,903	224	5,641	-	2,584	2,584
75	Trilink Apparels Pvt. Ltd. No.137, Maligawatta Road, Colombo-10	Karunajeewa Ganegoda Warakulasuriya Nelson Nihal Fernando	442850330V		4,003	28,219	-	32,222	-	31,471	31,471
76	Mansoor Alam Flat No.B-208/4, 2nd floor, Larab Garden, Block No.1, KDA Scheme # 24, Gulshan-e-Iqbal, Karachi.	Mansoor Alam	42101-6356131-9	Muhammad Zafar Alam	2,503	700	102	3,305	-	924	924
77	Muhammad Luqman Flat No.G-1, Ground Floor Madni View,	Muhammad Luqman	42101-4010777-9	Muhammad Usman	5,495	5,131	93	10,719	-	5,615	5,615

(Rs. in '000)

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		CNIC No.			Principal	Int/Accr/Mup	Others	Total				
		Name										
78	Block 7 & 8, Plot No. 484, Kathiawar Cooperative Housing Society, Karachi Syed Ali Ahmed Zaidi Apartment No. GF-1, Block-12-B, Plot No. SV/A-1/JSV A/H, Sea View Appartments Phase -X, Extension, DHA, Karachi.	Syed Ali Ahmed Zaidi	42201-5021891-5	Syed Ali Ahsan Zaidi	2,938	1,647	113	4,698	-	-	1,494	1,494
79	Zumm Design (Pvt.) Limited Plot # F-17, Block-5, Clifton, Kehlshashan, Karachi	Farma Sara Dawood Dawood Salman Gilani	42000-3170749-0 42000-9736851-9	Dawood Salman Gilani	-	6,515	-	6,515	-	-	6,515	6,515
80	Tariq Ismail House # 608, T Area, Korangi # 2, Karachi	Tariq Ismail	42201-0298690-3	Muhammad Ismail	6,895	1,982	33	8,910	-	-	2,440	2,440
81	Anjum Sehar Mughal House No. 66-B, Bostan Valley, Chaklala Scheme-III, Rawalpindi	Anjum Sehar Mughal	37405-9239721-5	Muhammad Younas Mughal	7,269	1,818	15	9,102	-	-	2,041	2,041
82	Waseem Asghar House No. 101-102, Khayaban-e-Tanzeer, Chaklala Scheme-III, Rawalpindi	Waseem Asghar	37405-9212434-9	Ali Asghar	1,760	740	101	2,601	-	-	897	897
83	Izaz Medicine Co. House No. 35, Street Deputy Farman Ali, Bicket Gunj, Mardan	Anjad Ali	16101-0338983-7	Yaqqob Khan	4,000	2,233	125	6,358	-	-	2,457	2,457
84	Subhan Rice Mills 4-KM, Canal Road, Tehsil Snorkot Distt. Jhang	Anmar Khan Mehram Khan	83203-4203060-9 33203-1443232-7	Mehram Khan Haji Pathan	19,556	723	200	20,479	-	-	831	831
85	Muhammad Strajuddin Village Show PO, Dir Tehsil & District Dir Upper	Muhammad Strajuddin	15701-0494076-1	Sultan Alam	352	460	-	812	312	-	460	772
86	Muhammad Amir Naveed, 200/A, Gulistan Colony No 2, Faisalabad	Muhammad Amir Naveed	33100-2557592-7	Muhammad Sarwar Khan	1,612	1,588	-	3,200	-	-	874	874
87	Galaxy Corporation Room # 1, 2 & 3, 4th Floor, Bank House # 1, Habib Square, M.A. Jinnah Road, Karachi	Ajaz Mehmood	42001-9084691-3	Mehmood Alam	-	2,988	81	3,069	-	-	3,069	3,069
88	Mehmood Industries Plot # 11, Sector-12B, North Karachi Industrial Area, Karachi	Ajaz Mehmood Aisha Ahmed Shahida Ajaz Sadia Adnan Noshaba Naeem Saima Rehman	42001-9084691-3 42201-0786942-8 42201-0605379-4 42301-41113707-6 42201-9030661-4 42201-8112473-2	Mehmood Alam Ahmer Bin Ahmed Shekhi Salman Saleem Adnan Fatmi Naemuddin Siddiqui Rehan Mansoori	-	13,199	115	13,314	-	-	13,314	13,314
					150,661	242,101	6,657	399,619	22,700	-	248,229	270,929

Annexure - IV

Disposal of operating fixed assets (refer note 11.2.4)

Description	Original 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 and office equipment							
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000							
	9,344	8,738	606	639	Claim	Adamjee Insurance Comp	Karachi
	4,548	4,546	2	69	Auction/Quotation	Adeel Steel Traders	Multan
	80,685	80,685	-	4,424	Trade Off	Innovative	Karachi
	32,045	32,044	1	198	Auction/Quotation	Abdul Razak & Bro Kabaria	Lahore
	2,356	1,508	848	337	Auction/Quotation	M.Umer Battery Serv	Karachi
	1,522	1,522	-	13	Auction/Quotation	Rehan Nilam Ghur	Multan
	1,631	1,598	33	235	Auction/Quotation	Chill Services	Lahore
	18,490	17,867	623	650	Auction/Quotation	Apollo	Karachi
	4,936	4,936	-	16	Auction/Quotation	7Cs Airconditioning	Karachi
	2,793	2,793	-	13	Auction/Quotation	Aamir Brothers	Karachi
	1,171	1,171	-	8	Auction/Quotation	Abideen Khan	Peshawar
	1,110	1,110	-	3	Auction/Quotation	Adnan Scrap Dealer	Karachi
	2,050	2,050	-	14	Auction/Quotation	Afzal Hussain Scrap Deale	Jhelum
	2,703	2,703	-	9	Auction/Quotation	Al Karimi Enterprises	Karachi
	1,066	1,066	-	2	Auction/Quotation	Al Moiz Kabaria	Karachi
	1,018	1,018	-	4	Auction/Quotation	Al-Ahad Super Store	Multan
	1,403	1,403	-	6	Auction/Quotation	Al-Farooq Enterprises	Karachi
	13,603	13,603	-	12	Auction/Quotation	Ali Kabaria	Lahore
	1,360	1,360	-	5	Auction/Quotation	Al-Makkah	Sargodha
	1,092	1,092	-	7	Auction/Quotation	Al-Shahbaz Traders	Sargodha
	1,678	1,678	-	12	Auction/Quotation	Altaf Hussain & Brothers	Karachi
	1,065	1,065	-	7	Auction/Quotation	Ameer Enterprises	Sargodha
	1,279	1,279	-	5	Auction/Quotation	Amjad Ali	Sargodha
	1,069	1,069	-	54	Auction/Quotation	Amjid Refrigeration	Peshawar
	1,687	1,687	-	6	Auction/Quotation	Aqeel Furniture Mart	Karachi
	1,026	1,026	-	1	Auction/Quotation	Arjun & Brothers	Karachi
	3,138	3,138	-	5	Auction/Quotation	Aslam Steel	Karachi
	10,293	10,293	-	15	Auction/Quotation	Ath Bright Contractor	Quetta
	1,325	1,325	-	17	Auction/Quotation	Awrish Builders	Peshawar
	1,853	1,853	-	58	Auction/Quotation	Baber Scrap Dealer	Jhelum
	1,972	1,972	-	1	Auction/Quotation	Baboo Scrap Store	Sukkur
	1,488	1,488	-	23	Auction/Quotation	Basharat Traders	Islamabad
	4,238	4,238	-	9	Auction/Quotation	Bilal Enterprises	Karachi
	11,027	11,027	-	41	Auction/Quotation	Bismillah Airconditioning	Multan
	5,725	5,724	1	27	Auction/Quotation	Bismillah Loha Scrap	Karachi
	1,363	1,363	-	8	Auction/Quotation	China Furniture House	Multan
	1,518	1,518	-	10	Auction/Quotation	Cigarette House	Sargodha
	1,486	1,486	-	13	Auction/Quotation	Cool Zone	Karachi
	1,590	1,590	-	2	Auction/Quotation	Dani Old Furniture	Jhelum
	1,920	1,920	-	10	Auction/Quotation	Fine Furniture Mart	Sargodha
	2,005	2,005	-	26	Auction/Quotation	Ghulam Dastager Scrape	Karachi
	1,061	1,061	-	8	Auction/Quotation	Ghulam Fareed	Sargodha
	7,037	7,037	-	7	Auction/Quotation	Ghulam Mustafa & Co.	Karachi
	1,486	1,486	-	50	Auction/Quotation	Hafiz Brothers	Lahore
	1,215	1,215	-	2	Auction/Quotation	Hameed Nawaz	Sargodha
	1,622	1,622	-	2	Auction/Quotation	Hammad Ali Scrap Works	Karachi
	2,444	2,444	-	23	Auction/Quotation	Haris Furnishers	Sukkur
	8,558	8,558	-	35	Auction/Quotation	Imran Electronics	Lahore
	17,043	17,042	1	47	Auction/Quotation	Imran Kabaria	Lahore
	3,275	3,275	-	10	Auction/Quotation	Infortech Computer	Peshawar
	1,748	1,748	-	9	Auction/Quotation	Islamabad Nilam Hou	Islamabad
	7,024	7,023	1	51	Auction/Quotation	Jamal & Brother Kabari	Quetta
	2,158	2,158	-	27	Auction/Quotation	Jm Trading Corporation	Karachi
	4,717	4,717	-	36	Auction/Quotation	Kashif Autos	Sargodha
	1,769	1,769	-	2	Auction/Quotation	Khalid Latif Kabaria	Bahawalpur
	1,520	1,520	-	21	Auction/Quotation	Khyber Cables	Peshawar
	4,213	4,213	-	55	Auction/Quotation	M Ahsan & Brother	Karachi
	35,517	35,515	2	428	Auction/Quotation	M Javed Qazi	Hyderabad
	11,578	11,577	1	60	Auction/Quotation	M Rafiq Kabaria	Lahore
	1,165	1,165	-	1	Auction/Quotation	M. Iqbal & Son	Faisalabad
	1,540	1,540	-	30	Auction/Quotation	M. Javed Scrap Dealer	Bahawalpur
	1,039	1,039	-	5	Auction/Quotation	M.Ali	Karachi
	1,189	1,189	-	6	Auction/Quotation	M.Irfan	Bahawalpur
	2,455	2,455	-	10	Auction/Quotation	M/S Askari Electronics	Karachi

Annexure - IV

Description	Original Cost	Accumulated depreciation	Book value	Sales proceeds /insurance claim	Mode of disposal /settlement	Particulars of buyers	Location
	(Rupees in '000)						
	1,096	1,096	-	6	Auction/Quotation	Maalik & Malik	Karachi
	1,215	1,215	-	15	Auction/Quotation	Madina Cooling	Lahore
	1,205	1,205	-	4	Auction/Quotation	Madni Cooling Center	Bahawalpur
	4,138	4,138	-	80	Auction/Quotation	Mahmand Scrap Dealer	Islamabad
	7,213	7,213	-	7	Auction/Quotation	Malir Scrap Workshop	Karachi
	2,135	2,135	-	16	Auction/Quotation	Maqbool Sons	Karachi
	1,603	1,603	-	10	Auction/Quotation	Mashallah Traders	Faisalabad
	2,512	2,512	-	39	Auction/Quotation	Mehtar Brothers	Faisalabad
	4,372	4,308	64	205	Auction/Quotation	Mian Usman & Co	Lahore
	2,790	2,790	-	16	Auction/Quotation	Mughal & Sons	Islamabad
	5,097	5,096	1	15	Auction/Quotation	Muhammad Ramzan	Sargodha
	1,226	1,226	-	4	Auction/Quotation	Muhammad Shoaib	Sargodha
	7,036	7,036	-	37	Auction/Quotation	Musaddiq Computer Scra	Karachi
	19,416	19,415	1	19	Auction/Quotation	Mushtaq Ahmad	Karachi
	1,408	1,408	-	18	Auction/Quotation	Mushtaq Scrap Deal	Peshawar
	1,288	1,288	-	3	Auction/Quotation	Norman Enterprises	Sargodha
	1,668	1,668	-	2	Auction/Quotation	Parvez Khan	Karachi
	2,310	2,310	-	6	Auction/Quotation	Qari Kabari Wala	Karachi
	1,890	1,890	-	3	Auction/Quotation	Quetta Kabari	Quetta
	1,043	1,043	-	14	Auction/Quotation	Rakay Electro Services	Karachi
	1,090	1,090	-	7	Auction/Quotation	Rayaz Electric Store	Sargodha
	1,100	1,099	1	6	Auction/Quotation	Sabir	Karachi
	2,849	2,849	-	6	Auction/Quotation	Sadakat Ali Traders	Peshawar
	2,459	2,459	-	4	Auction/Quotation	Saif Kabaria	Lahore
	1,410	1,410	-	15	Auction/Quotation	Sajjad Cooling Center	Islamabad
	2,961	2,565	396	1,439	Auction/Quotation	Sakhi Lal Traders	Lahore
	1,016	1,016	-	4	Auction/Quotation	Sarfraz & Brothers	Lahore
	1,559	1,559	-	9	Auction/Quotation	Shafiqat Ali	Lahore
	1,245	1,245	-	11	Auction/Quotation	Shah Mohammad Godow	Lahore
	3,029	3,029	-	6	Auction/Quotation	Shahid Kabar House	Lahore
	1,276	1,276	-	1	Auction/Quotation	Sun Cool	Lahore
	1,612	1,612	-	6	Auction/Quotation	Sun Rise Electric Centre	Lahore
	1,101	1,101	-	4	Auction/Quotation	Tabbasum Ali	Lahore
	13,196	13,195	1	21	Auction/Quotation	Tajwani Enterprises	Lahore
	11,289	11,288	1	20	Auction/Quotation	Umair Kabaira	Lahore
	1,066	1,066	-	30	Auction/Quotation	Umer Farooq Steel Works	Lahore
	1,118	1,118	-	1	Auction/Quotation	Umer Kabariya	Lahore
	2,280	2,279	1	29	Auction/Quotation	Uni Plus	Lahore
	1,882	1,882	-	3	Auction/Quotation	Wali Brothers	Lahore
	1,521	1,521	-	3	Auction/Quotation	Waqar Hussain & Co	Lahore
	2,015	2,015	-	3	Auction/Quotation	Waqas Naqash Kabaria	Lahore
	1,137	1,137	-	7	Auction/Quotation	Younus Kabari	Lahore
	3,739	3,739	-	57	Auction/Quotation	Zafar Sattar Kabaria	Lahore
	1,087	1,087	-	40	Auction/Quotation	Zahid Arki Press	Lahore
	1,453	1,453	-	13	Auction/Quotation	Zaka Ullah Khan	Lahore
	1,379	1,379	-	7	Auction/Quotation	Zeenat Furniture	Lahore
	1,799	1,799	-	20	Auction/Quotation	Azmat Ali Hardware	Lahore
	32,676	32,648	28	230	Auction/Quotation	Abdul Razak & Bro Kabaria	Lahore
	41,259	41,258	1	181	Auction/Quotation	Capital Nelaam Ghar	Karachi
	577,308	574,694	2,614	10,641			
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	259,740	258,686	1,054	5,837	Auction/Quotation	Different Buyers	All Pakistan
Vehicles							
Honda Civic	2,410	1,928	482	1,077	Auction	Muhammad Arif	Karachi
Toyota Hilux	2,260	1,808	452	1,089	Auction	Islam Sarwar	Karachi
Honda Civic	1,842	1,474	368	1,285	Auction	Rubina Kamran	Lahore
Toyota Corolla	1,727	507	1,220	1,575	Claim	M/S Adam Jee Insurance	Karachi
Toyota Corolla	1,445	1,156	289	977	Auction	M Awais	Lahore
Toyota Corolla	1,445	1,156	289	1,055	Auction	Asad Sakhawat	Lahore
Toyota Corolla	1,414	1,132	282	1,072	Auction	Khurram Ayub	Lahore
Toyota Corolla	1,389	1,111	278	1,016	Auction	Zahid Qadri	Karachi
Toyota Corolla	1,389	1,111	278	1,013	Auction	Salman Zafar	Karachi
Toyota Corolla	1,389	1,111	278	939	Auction	Mr. Nasir Khan	Lahore
Toyota Corolla	1,383	1,106	277	1,120	Auction	Rubina Kamran	Lahore
Toyota Corolla	1,014	811	203	923	Auction	Khurram Intiaz	Lahore
Suzuki WPKH 5925	1,968	1,889	79	1,143	Tender	Mitithota Hewage Nirosan Iwantha Srimal	Maharagama
Suzuki WPKH 5460	1,931	1,854	77	1,140	Tender	Mitithota Hewage Nirosan Iwantha Srimal	Maharagama
Hero Honda MO-B 159-1595	59	59	-	4	Tender	Herath Mudiyansele Gunadasa	Pannipitiya
"Mercedes Benz 280 Sedan - Dimo"	16,625	16,625	-	3,602	Tender	Holupathirage Rukmani Ann Caldera	Nugegoda
	39,690	34,838	4,852	19,030			

Annexure - IV

Description	Original Cost	Accumulated depreciation	Book value	Sales proceeds /insurance claim	Mode of disposal /settlement	Particulars of buyers	Location
	(Rupees in '000)						
Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	72,415	58,115	14,300	48,372			
Land/Buildings							
Cosmopolitan Society	1,856	1,260	596	45,540	Sale	Abdul Rauf	Karachi
Sheikhupura Main	1,684	239	1,445	29,052	Claim/Compensation	Lahore Development Authority	Lahore
	3,540	1,499	2,041	74,592			
Car Ijarah							
Honda Civic	2,595	388	2,207	2,150	Claim from insurance company	Pak Kuwait Takaful	Lahore
Toyota Corolla GLI	2,035	267	1,768	1,742	Claim from insurance company	Pak Qatar Takaful Company	Lahore
Toyota Corolla Altis 1.8	2,076	100	1,976	1,636	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis 1.8	2,077	148	1,929	1,906	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota 4X4	6,214	5,314	900	900	Purchased By Lessee	Indus Sugar Mills Limited	Lahore
Suzuki Bolan	609	384	225	225	Purchased By Lessee	Muhammad younas	Lahore
Daihatsu Coure	740	482	258	258	Purchased By Lessee	Nawab Ali	Hyderabad
Toyota GLI	1,430	1,015	415	415	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	902	651	251	290	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Swift	1,003	753	250	362	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Swift	1,003	753	250	333	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Swift	1,003	753	250	333	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Swift	940	678	262	302	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Swift	1,042	753	289	333	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	924	668	256	320	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	924	668	256	320	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	924	668	256	320	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	945	668	277	320	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	940	664	276	318	Purchased By Lessee	Interloop Limited	Faisalabad
Honda City	1,416	1,045	371	425	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	929	685	244	301	Purchased By Lessee	Interloop Limited	Faisalabad
Toyota Corolla GLI	1,744	1,321	423	422	Purchased By Lessee	Jahazaib Khan Banth	Faisalabad
Suzuki-Swift	1,215	604	611	688	Purchased By Lessee	Interloop Limited	Faisalabad
Toyota Corolla Gli	1,265	1,076	189	189	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Mercedes Benz C-180	4,093	3,493	600	600	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Mercedes Benz C-180	4,098	3,498	600	600	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Altis A/T	1,422	1,209	213	213	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Altas	1,422	1,209	213	213	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	1,113	196	196	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Altis A/T	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Xli	1,205	1,025	180	180	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Xli	1,107	942	165	165	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Xli	1,253	1,066	187	188	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Land Cruiser Prado	7,205	6,225	980	980	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis AT	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Xli	1,107	942	165	165	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gli	1,303	1,108	195	195	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gli	1,303	1,108	195	195	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis A/T SR	1,444	1,092	352	375	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,354	768	586	648	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gli	1,749	747	1,002	1,071	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis AT/SR	2,181	653	1,528	1,588	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,354	1,024	330	352	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Vigo Champ M/T 4x4 D/C 520 W	3,593	1,037	2,556	2,593	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	1,020	289	304	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,173	954	1,219	1,361	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,354	1,152	202	203	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Altis A/T	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gli	1,749	847	902	976	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Honda City i-VTEC	1,706	681	1,025	1,086	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,173	991	1,182	1,278	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Mercedes E200 CGI Blue Efficiency	9,251	3,551	5,700	6,129	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Vigo Champ	4,002	1,659	2,343	2,464	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,175	1,084	1,091	1,186	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Fortuner VVIT ECT-Automatic	6,172	2,034	4,138	4,193	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	1,733	982	751	821	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis A/T	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gli	1,749	747	1,002	1,073	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis A/T	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	1,113	196	196	Terminated at Maturity	Pakistan Tobacco Company	Islamabad

Annexure - IV

Description	Original Cost	Accumulated depreciation	Book value	Sales proceeds /insurance claim	Mode of disposal /settlement	Particulars of buyers	Location
(Rupees in '000)							
Toyota Corolla Altis 1.8	2,083	305	1,778	1,784	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gli	1,749	738	1,011	1,073	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis 1.8	2,083	305	1,778	1,784	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Fortuner VIT ECT-Automatic	5,586	2,163	3,423	3,508	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Camry	3,605	3,065	540	540	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Hilux Pickup Double Cabin 4x4	2,435	2,071	364	364	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla (GLI)	1,353	1,151	202	202	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis A/T SR	1,444	1,228	216	216	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gli	1,354	1,151	203	203	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla XLI	1,310	1,114	196	196	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla(XLI)	1,255	1,067	188	188	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	1,082	227	227	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,354	1,151	203	203	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Hiace (Dual AC)	2,435	2,071	364	364	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	1,113	196	196	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis 1.8	2,083	326	1,757	1,771	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis 1.8	2,076	324	1,752	1,775	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,197	1,038	159	159	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	1,579	1,091	488	548	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Hino Trucks	6,275	1,412	4,863	4,913	Purchased By Lessee	Allied Rental	Karachi
Honda Civic Oriel Model 2013	2,552	902	1,650	1,753	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cuitus Euro II	1,054	902	152	188	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cuitus Euro II	1,054	902	152	202	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cuitus Euro II	1,054	635	419	461	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cuitus Euro II	1,072	902	170	184	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cuitus Euro II	1,069	902	167	204	Purchased By Lessee	Foundation Security	Karachi
Toyota Corolla GLI Model 2013	1,787	902	885	942	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cuitus Euro II	1,052	902	150	184	Purchased By Lessee	Foundation Security	Karachi
Master Fuso Canter Trucks	2,275	1,365	910	910	Purchased By Lessee	Allied Rental	Karachi
Suzuki Cuitus	1,049	248	801	871	Purchased By Lessee	Yasir Manzoor	Gujranwala
	176,538	105,248	71,290	73,962			
Equipment Ijarah							
Cages	20,242	17,798	2,444	2,444	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	11,161	8,371	2,790	2,790	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	11,161	8,371	2,790	2,790	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	12,112	10,901	1,211	1,211	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	11,921	10,729	1,192	1,192	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	36,895	33,202	3,693	3,693	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	10,967	9,870	1,097	1,097	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
	114,459	99,242	15,217	15,217			
2015	1,243,690	1,132,322	111,368	247,651			
2014	322,030	245,966	76,064	107,184			

Annexure - V

Summarized detail of the valuation of owned properties (refer note 11.2.1)

City	Land	Building	Total
Abbottabad	22,000	19,856	41,856
Bahawalpur	78,012	24,445	102,457
Chakwal	2,000	1,920	3,920
Dera Ghazi Khan	18,450	20,000	38,450
Faisalabad	812,308	223,618	1,035,926
Gawadar	1,900	9,000	10,900
Gujranwala	221,044	172,238	393,282
Gujrat	78,500	42,216	120,716
Hafizabad	27,000	14,782	41,782
Haripur	28,453	2,958	31,411
Haroonabad	20,000	5,240	25,240
Hyderabad	185,498	87,118	272,616
Islamabad	1,317,210	416,652	1,733,862
Jhang	124,110	30,715	154,825
Jhelum	55,000	32,817	87,817
Karachi	4,607,853	2,966,223	7,574,076
Kasur	16,380	2,390	18,770
Khairpur	1,442	3,183	4,625
Khanewal	13,500	2,800	16,300
Khanpur	24,040	14,420	38,460
Kohat	4,650	-	4,650
Lahore	4,972,779	2,305,651	7,278,430
Larkana	47,735	13,601	61,336
Mianwali	19,125	35,443	54,568
Mirpurkhas	11,040	3,726	14,766
Multan	139,600	332,878	472,478
Muridke	45,000	25,453	70,453
Murree	15,000	991	15,991
Muzaffarabad	128,373	52,979	181,352
Nawabshah	18,270	10,339	28,609
Okara	26,275	12,524	38,799
Peshawar	114,375	16,726	131,101
Quetta	284,696	59,803	344,499
Rahim Yar Khan	9,915	5,740	15,655
Rawalpindi	448,536	168,514	617,050
Sadiqabad	26,667	4,842	31,509
Sahiwal	52,094	13,826	65,920
Sargodha	140,986	20,825	161,811
Sheikhupura	32,903	7,704	40,607
Sialkot	94,000	20,895	114,895
Sukkur	48,288	16,656	64,944
Swat	56,500	6,715	63,215
Vehari	11,000	7,330	18,330
Wazirabad	15,000	7,274	22,274
Overseas	-	82,648	82,648
Grand total	14,417,507	7,325,674	21,743,181



Bank for Life

LIFE
STAYS
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CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

Director's Report

On Consolidated Financial Statements

The Board of Directors present the report on the consolidated financial statements of MCB Bank Limited and its subsidiaries namely MCB-Arif Habib Savings & Investments Limited, MCB Financial Services Limited, MNET Services (Private) Limited, MCB Islamic Bank Limited and MCB Leasing Closed Joint Stock Company for the year ended December 31, 2015.

The following appropriation of profit has been recommended by the Board of Directors;

	(Rs. in '000)
Profit before taxation	42,788,640
Taxation	17,753,528
Profit after taxation	25,035,112
Profit attributable to minority interest	(125,111)
Profit attributable to ordinary shareholders	24,910,001
Un-appropriated profit brought forward	49,765,031
Re-measurement of defined benefits plans - net of tax	(1,719,718)
Transfer from surplus on revaluation of fixed assets - net of tax	49,162
	48,094,475
Profit available for appropriation	73,004,476
Appropriations:	
Statutory Reserve	2,564,616
Final Cash Dividend - December 2014	4,452,123
Interim Cash Dividend - March 2015	4,452,123
Interim Cash Dividend - June 2015	4,452,123
Interim Cash Dividend - September 2015	4,452,123
Total Appropriations	20,373,108
Un-appropriated profit carried forward	52,631,368

Pattern of Shareholding

The pattern of shareholding as at December 31, 2015 is annexed in annual report.

Earnings per Share

The consolidated financial statements reflect Rs. 22.38 earnings per share for the year under review.

For and on behalf of the Board of Directors



Mian Mohammad Mansha
Chairman

February 09, 2016

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of MCB Bank Limited and its subsidiary companies as at December 31, 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the 'consolidated financial statements') for the year then ended. These consolidated financial statements include unaudited certified returns from the branches except for fifty branches which have been audited by us and ten branches audited by auditors abroad. We have also expressed separate opinions on the financial statements of MCB Bank Limited, MCB Islamic Bank Limited and MNET Services (Private) Limited. While the subsidiary MCB - Arif Habib Savings & Investments Limited was subject to a limited scope review by us. The financial statements of subsidiary companies MCB Financial Services Limited and MCB Leasing Closed Joint Stock Company were audited by other firms of chartered accountants, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors.

These consolidated financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of MCB Bank Limited and its subsidiary companies as at December 31, 2015 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Lahore
Dated: February 26, 2016



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

Consolidated Statement of Financial Position

As at December 31, 2015

	Note	2015	2014
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	61,265,859	46,753,868
Balances with other banks	7	10,058,662	3,063,774
Lendings to financial institutions	8	5,132,480	1,418,181
Investments - net	9	564,299,568	516,898,299
Advances - net	10	315,310,857	304,000,563
Operating fixed assets	11	32,997,385	31,583,646
Deferred tax assets - net		-	-
Other assets - net	12	31,915,210	37,888,155
		1,020,980,021	941,606,486
LIABILITIES			
Bills payable	14	11,975,237	16,627,700
Borrowings	15	118,615,031	59,776,578
Deposits and other accounts	16	706,239,715	688,270,091
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	17	12,482,287	10,735,841
Other liabilities	18	29,491,131	29,927,070
		878,803,401	805,337,280
NET ASSETS		142,176,620	136,269,206
Represented by			
Share capital	19	11,130,307	11,130,307
Reserves	20	51,491,384	49,200,045
Unappropriated profit		52,631,368	49,765,031
Total equity attributable to the equity holders of the Bank		115,253,059	110,095,383
Non-controlling interest		512,076	511,960
		115,765,135	110,607,343
Surplus on revaluation of assets - net of tax	21	26,411,485	25,661,863
		142,176,620	136,269,206
Contingencies and commitments	22		

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



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
Mark-up / return / interest earned	24	80,726,402	77,411,189
Mark-up / return / interest expensed	25	31,171,853	33,770,144
Net mark-up / interest income		49,554,549	43,641,045
Provision / (reversal) for diminution in the value of investments - net	9.3	831,369	(847,151)
Provision / (reversal) against loans and advances - net	10.5.2	(285,965)	(1,093,745)
Bad debts written off directly	10.6.1	67	20
		545,471	(1,940,876)
Net mark-up / interest income after provisions		49,009,078	45,581,921
Non mark-up / interest income			
Fee, commission and brokerage income		8,994,431	7,775,318
Dividend income		861,381	729,708
Income from dealing in foreign currencies		771,686	1,443,458
Gain on sale of securities - net	26	4,343,994	1,715,235
Unrealized gain / (loss) on revaluation of investments classified as held for trading	9.5	577	27,324
Other income	27	2,090,962	1,570,088
Total non mark-up / interest income		17,063,031	13,261,131
		66,072,109	58,843,052
Non mark-up / interest expenses			
Administrative expenses	28	22,986,683	21,014,641
Other provision / (reversal) - net	12.3	155,240	76,935
Other charges	29	937,153	979,225
Total non mark-up / interest expenses		24,079,076	22,070,801
Share of profit of associates	9.7 & 9.8	795,607	581,771
Extra ordinary / unusual item		-	-
Profit before taxation		42,788,640	37,354,022
Taxation - Current year		14,569,863	12,003,454
- Prior years		1,894,674	(1,074)
- Deferred		1,209,820	529,658
Share of tax of associates		79,171	47,538
	30	17,753,528	12,579,576
Profit after taxation		25,035,112	24,774,446
Profit attributable to minority interest		(125,111)	(118,859)
Profit attributable to ordinary share holders		24,910,001	24,655,587
Unappropriated profit brought forward		49,765,031	43,038,094
Transfer from surplus on revaluation of fixed assets - net of tax		49,162	47,941
		49,814,193	43,086,035
Profit available for appropriation		74,724,194	67,741,622
Basic and diluted earnings - after tax	Rupees per share	33	22.38
			22.15

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



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
Profit after tax for the year	25,035,112	24,774,446
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans - net of tax	(1,719,718)	139,500
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	(270,041)	(213,212)
- Minority interest	(3,551)	(498)
	(273,592)	(213,710)
Share of exchange translation reserve of associate	(3,236)	(28,155)
Comprehensive income transferred to equity	23,038,566	24,672,081
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	3,319,164	15,996,388
Deferred tax	(1,466,711)	(5,635,929)
Share of other comprehensive income of associates - net of tax	(844,716)	541,972
	1,007,737	10,902,431
Total Comprehensive income	24,046,303	35,574,512

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



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Consolidated Cash Flow Statement

For The Year Ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
Cash flows from operating activities			
Profit before taxation		42,788,640	37,354,022
Less: Dividend income and share of profit of associates		(1,656,988)	(1,311,479)
		41,131,652	36,042,543
Adjustments for non-cash charges			
Depreciation	11.2	2,051,557	1,742,867
Amortization	11.3	385,915	364,648
Provision / (reversal) against loans and advances - net	10.5.2	(285,965)	(1,093,745)
Provision / (reversal) for diminution in the value of investments - net	9.3	831,369	(847,151)
Other provision / (reversal) - net	12.3	155,240	76,935
Bad debts written off directly	10.6.1	67	20
Provision for Workers' Welfare Fund	29	855,323	734,803
Charge / (reversal) for defined benefit plan - net	28	(447,308)	(413,188)
Unrealized (gain) / loss on revaluation of investments classified as held for trading	9.5	(577)	(27,324)
Gain on sale of shares in associate		(74,242)	-
Gain on disposal of fixed assets - net	27	(136,285)	(31,051)
		3,335,094	506,814
		44,466,746	36,549,357
(Increase) / decrease in operating assets			
Lendings to financial institutions		(3,714,299)	(193,543)
Net investments in 'held for trading' securities		(198,145)	41,638
Advances - net		(11,024,396)	(54,385,046)
Other assets - net		3,854,534	(12,278,459)
		(11,082,306)	(66,815,410)
Increase / (decrease) in operating liabilities			
Bills payable		(4,652,463)	6,488,974
Borrowings		58,684,008	21,400,052
Deposits and other accounts		17,969,624	55,960,997
Other liabilities		(2,160,780)	9,310,253
		69,840,389	93,160,276
		103,224,829	62,894,223
Defined benefits paid		(357,224)	(603,267)
Income tax paid		(16,112,494)	(9,108,676)
Net cash flows from operating activities		86,755,111	53,182,280
Cash flows from investing activities			
Net investments in 'available for sale' securities		(39,546,381)	(44,844,390)
Net investments in 'held to maturity' securities		(5,915,580)	(597,679)
Proceeds from divestment in associate		274,533	-
Dividends received		1,153,006	959,159
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		(4,055,011)	(4,761,613)
Sale proceeds of property and equipment disposed off		247,780	107,434
Net cash flows from investing activities		(47,849,478)	(49,137,089)
Cash flows from financing activities			
Dividend paid		(17,279,607)	(15,270,838)
Net cash flows from financing activities		(17,279,607)	(15,270,838)
Exchange differences on translation of the net investment in foreign branches and subsidiaries		(273,592)	(213,710)
Increase/(decrease) in cash and cash equivalents		21,352,434	(11,439,357)
Cash and cash equivalents at beginning of the year		49,176,482	61,429,851
Effects of exchange rate changes on cash and cash equivalents		299,067	(514,945)
		49,475,549	60,914,906
Cash and cash equivalents at end of the year	34	70,827,983	49,475,549


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




Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2015

	Capital Reserves				Revenue Reserves			Non-controlling interest	Total	
	Share Capital	Reserve for issue of bonus shares	Share Premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit			Sub Total
(Rupees in '000)										
Balance as at December 31, 2013	10,118,461	-	9,924,438	784,004	17,700,494	18,600,000	43,038,094	100,165,491	489,671	100,655,162
Profit after taxation for the year ended December 31, 2014	-	-	-	-	-	-	24,774,446	24,774,446	-	24,774,446
Profit attributable to Non-controlling interest	-	-	-	-	-	-	(118,859)	(118,859)	118,859	-
Profit after taxation for the year ended December 31, 2014 attributable to ordinary shareholders of the group	-	-	-	-	-	-	24,655,587	24,655,587	118,859	24,774,446
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	139,500	139,500	-	139,500
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	(213,212)	-	-	-	(213,212)	(498)	(213,710)
Share of exchange translation reserve of associates	-	-	-	(28,155)	-	-	-	(28,155)	-	(28,155)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	47,941	47,941	297	48,238
Transferred to statutory reserve	-	-	-	-	2,432,476	-	(2,432,476)	-	-	-
Transfer to reserve for issue of bonus shares	-	1,011,846	-	-	-	-	(1,011,846)	-	-	-
Issue of bonus shares - December 2013	1,011,846	(1,011,846)	-	-	-	-	-	-	-	-
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	(96,369)	(96,369)
Final cash dividend - December 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)	-	(3,541,461)
Interim cash dividend - March 2014	-	-	-	-	-	-	(3,339,092)	(3,339,092)	-	(3,339,092)
Interim cash dividend - June 2014	-	-	-	-	-	-	(3,895,608)	(3,895,608)	-	(3,895,608)
Interim cash dividend - September 2014	-	-	-	-	-	-	(3,895,608)	(3,895,608)	-	(3,895,608)
Balance as at December 31, 2014	11,130,307	-	9,924,438	542,637	20,132,970	18,600,000	49,765,031	110,095,383	511,960	110,607,343
Profit after taxation for the year ended December 31, 2015	-	-	-	-	-	-	25,035,112	25,035,112	-	25,035,112
Profit attributable to Non-controlling interest	-	-	-	-	-	-	(125,111)	(125,111)	125,111	-
Profit after taxation for the year ended December 31, 2015 attributable to ordinary shareholders of the group	-	-	-	-	-	-	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)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	49,162	49,162	272	49,434
Transferred to statutory reserve	-	-	-	-	2,564,616	-	(2,564,616)	-	-	-
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)
Final cash dividend - December 2014	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend - March 2015	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend - June 2015	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend - September 2015	-	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
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

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

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



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

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 (2014: 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 1,246 branches including 34 Islamic banking branches (2014: 1,222 branches including 27 Islamic banking branches) within Pakistan and 11 branches (2014: 10 branches) outside the country (including the Karachi Export Processing Zone branch).

Subsidiary Companies

MCB Financial Services Limited

MCB Financial Services Limited was incorporated on February 12, 1992 under the Companies Ordinance, 1984 as a private limited company. The company converted its status from Private Limited Company to Unlisted Public Limited Company on June 19, 2009. The principal objects of the company are to act as Trustee of investment trust schemes, voluntary pension schemes, real estate investment trust schemes, to provide custodian services and to act as transfer agent/share registrar of securities of listed and non listed companies and mutual funds etc. The Company's main source of income is from trusteeship services provided to mutual funds. Its registered office is located at Karachi. The Bank owns 99.999% shares of the company while remaining shares are held by nominees of the Bank.

MNET Services (Private) Limited

MNET Services (Private) Limited is a private limited company incorporated in Pakistan under the Companies Ordinance, 1984 on September 7, 2001. The company's registered office and principal place of business are situated at MCB Building, F-6 / G-6, Jinnah Avenue, Islamabad and Sheikh Sultan Trust Building, Beaumont Road, Karachi respectively. The core objective of the company is to provide services in Information Technology and to develop computer software and other data processing equipment for planning, designing, management and execution of all types of financial, personal, organizational and institutional activities.

During the year 2013, the Board of Directors (BOD) of the Company in their meeting held on August 7, 2013 resolved to voluntarily wind up the Company (subject to supervision

of the court) because of its worsening financial position. The main reason for the worsening financial position was due to huge fixed cost being incurred by the Company on account of Switch operations against which the Company was unable to generate sufficient revenues. Further, the Board of Directors of MCB Bank Limited in their meeting held on August 16, 2013 also resolved to wind up the subsidiary i.e. MNET Services (Private) Limited.

However, the BOD of the Company, in their meeting held on December 15, 2014, has decided to reverse their aforementioned decision and has requested the Board of the Holding Company to reverse their decision taken earlier in this regard as well. In pursuance of the above resolution, the management of the Company 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 Karachi Stock Exchange by way of offer for sale of shares by a few of the existing shareholders of the Company to the general public. The registered office of the Company is situated at 8th Floor, Techno City, Corporate Tower, Molana Hasrat Mohani Road, Karachi, Pakistan.

The Company is registered as an Asset Management Company and Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Pension Fund Manager under Voluntary Pension System Rules 2005. The Company also manages discretionary portfolio accounts. The Bank owns 51.33% shares of the company.

"MCB Leasing" Closed Joint Stock Company

MCB Leasing was incorporated as a Closed Joint Stock Company under the laws of Azerbaijan on October 16, 2009 with 95% holding of MCB Bank Limited. The registered office of the company is located at 49B Tbilisi Ave. Baku AZ1065, Republic of Azerbaijan.

The Company's principal business activity is providing lease finance within the Republic of Azerbaijan. The company leases various types of industrial equipment, medical equipment, public transports and real estate. In addition, the Company leases cars, trucks and rail cars. The company purchases leasing assets from suppliers in the Republic of Azerbaijan and abroad.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

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. During the year, the Bank has 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 of the Bank's domestic Islamic Banking operations referred in Annexure II of unconsolidated financial statements subject to approval by the Bank's shareholders and sanction by the Honourable Lahore High Court whereunder, after requisite approvals, the assets, rights, liabilities and obligations of the Bank relating to domestic Islamic Banking operations will be transferred to and vested in MCB Islamic Bank Limited.

The Bank filed a petition in the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under section 284 to 288 of the Companies Ordinance, 1984. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on January 8, 2016.

Under the Scheme, from September 30, 2015 (the effective date) and until the date on which this Scheme becomes operative pursuant to the provisions of Article 14 of this Scheme, and is the date on which the assets, liabilities and operation of Islamic Banking Group of "MCB" are transferred to and vested in "MCBIBL" by virtue of and Order of the Court under section 287 (1) of the Companies Ordinance, 1984 (completion date), the domestic Islamic Business will be deemed to have been carried on by MCB for and on account and for the benefit of MCBIBL. On this basis, all profits and losses accruing or arising to or incurred by MCB Bank Limited through the operation of the domestic Islamic Business from the Effective Date (i.e. September 30, 2015) shall be treated as the profits or losses, as the case may be, of MCB Islamic Bank Limited.

The scheme, although operative from the effective date, shall take effect finally upon and from the date on which the last of the aforesaid sanctions or approvals or orders shall have been obtained, and such date shall be the completion date for the purpose of the scheme.

When the Scheme becomes effective, transfer to and vesting in MCB Islamic Bank Limited of the Islamic Business in accordance with the Scheme, will be treated as having taken effect from the Effective Date.

2. BASIS OF PRESENTATION

2.1 These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.

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

2.4 For the purpose of translation, rates of Rs. 104.7410 per US Dollar (2014: Rs. 100.4831) and Rs. 0.7271 per LKR (2014: Rs.0.7659) and Rs. 67.1675 per AZN (2014: Rs. 128.1019) have been used have been used.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions and directives given in Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and

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Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 01, 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 financial statements.

The State Bank of Pakistan through PRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank.

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, 2015:

- IAS 27 Separate financial statements (Amendments)
- IFRS 11 'Joint Arrangements
- IFRS 12 'Disclosure of interests in other entities (Amendments)
- IFRS 13 - Fair value measurement

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 01, 2015 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 01, 2016:

	Effective date (accounting periods beginning on or after)
• IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
• IFRS 15, 'Revenue from contracts'	January 01, 2018
• IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
• IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	January 01, 2016
• IFRS 11 Joint Arrangements-Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
• IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
• IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
• IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
• IAS 27–Separate Financial Statements–Equity Method in Separate Financial Statements (Amendment)	January 01, 2016
• Annual improvements 2014; IFRS 5, 'Non-current assets held for sale and discontinued operations', IFRS 7, 'Financial instruments: disclosures', IAS 19, 'Employee benefits', IAS 34, 'Interim financial reporting'	January 01, 2016

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 01, 2016 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.

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4. BASIS OF MEASUREMENT

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

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 in note 39 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 policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification of investments

In classifying investments the Bank follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.

- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) Provision against advances

The Bank reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in notes 10.5.

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 Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

e) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates at the balance sheet date and the rates contracted.

f) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed

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For the year ended December 31, 2015

to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Group estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in Note 36 of these consolidated financial statements for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

- a) The consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of associates are accounted for under the equity basis of accounting.
- b) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiaries are disposed off. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the financial statements as at December 31, 2015 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Material intra-group balances and transactions have been eliminated.
- c) Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost, thereafter for the post-acquisition change in the Group's share of net assets of the associate, the cumulative post-acquisition movements are adjusted

in the carrying amount of the investment. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

- d) 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.

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

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

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break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associate and subsidiary at the date of acquisition. Goodwill on acquisitions of associates is included in 'investments in associates'.

5.3 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.

5.4 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against Consumer and Small Enterprise (SEs) loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Advances are written off when there is no realistic prospect of recovery.

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

5.5 Operating fixed assets and depreciation

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

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

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

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

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

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

5.5.1 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month when these assets are available for use,

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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.

5.5.2 Leases (Ijarah)

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

5.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.7 Staff retirement benefits MCB Bank Limited

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

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

of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:

- an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
- an approved pension fund; and
- contributory benevolent fund

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

- 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 recognise past service cost as an expense at the earlier of the following dates:

- (i) when the plan amendment or curtailment occurs
- (ii) and when the Bank recognises related restructuring costs or termination benefits

MNET Services (Private) Limited

The company operates an unfunded gratuity scheme for its eligible employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company. Accrual of charge for the year is made on the basis of actuarial valuations carried out under the projected unit credit method.

Employees' compensated absences

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

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5.8 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.9 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

5.10 Foreign currencies

5.10.1 Foreign currency transactions

Transactions in foreign currencies other than the

results of foreign operations discussed in note 5.10.2 are translated to Rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities.

5.10.2 Foreign operations

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

5.10.3 Translation gains and losses

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

5.10.4 Commitments

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

5.11 Acceptances

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

5.12 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential

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For the year ended December 31, 2015

Regulations issued by the State Bank of Pakistan (SBP) or as permitted by the regulations of the overseas regulatory authorities of countries where the branches operate. Where debt securities are purchased at premium or discount, such premium / discount is amortized through the profit and loss account over the remaining period of maturity.

- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.
- Ijarah income is recognized on an accrual basis as and when the rental becomes due.
- Commission income is recognized on a time proportion basis.
- Dividend income is recognized when the Group's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account currently.
- Outsourcing revenue, payment system managed service income, subscription fee in Switch product revenue and networking services revenue is recognised on an accrual basis when the related services are rendered.
- Revenue for acting as trustee is recognized on Net Assets Value (NAV) of respective funds.
- Management / advisory fee is calculated on a daily / monthly basis by charging specified rates to the net assets value / income of the Collective Investment Schemes. Advisory fee from the discretionary portfolio is calculated in accordance with the respective agreements with the clients. Management fee from the pension funds is calculated by charging the specified rates to the average net assets value.

5.13 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

5.14 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement

of certain advances. These are stated at lower of the carrying value or current fair value of such assets.

5.15 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn Nostro balances) in current and deposit accounts.

5.16 Financial instruments

5.16.1 Financial assets and financial liabilities

Financial instruments carried on the statement of financial position include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments (excluding investment in associates and subsidiaries), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

5.16.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All the derivative financial instruments are carried as an asset when the fair value is positive and as a liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

5.16.3 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and settle the liabilities, simultaneously.

5.17 Borrowings / deposits

Borrowings / deposits are recorded at the proceeds received. The cost of borrowings / deposits is recognized as an expense in the period in which this is incurred.

5.18 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or

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

5.18.1 Business segments

Corporate Finance

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

Trading and Sales

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

Retail and Consumer Banking

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

Commercial Banking

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

Asset Management

It includes asset management, investment advisory, portfolio management, equity research and underwriting.

5.18.2 Geographical segments

The Bank operates in four geographic regions being:

- Pakistan
- South Asia
- Middle East
- Eurasia

5.19 Dividend distribution and appropriation

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

5.20 Earnings per share

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

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	Note	2015	2014
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	6.1	13,755,463	11,140,319
- foreign currencies		2,656,764	2,270,370
With State Bank of Pakistan (SBP) in:			
Local currency current account	6.2	22,035,543	11,023,747
Foreign currency current account	6.3	38,766	170,097
Foreign currency deposit account	6.2	6,003,817	5,854,648
With other central banks in foreign currency current account	6.2	2,330,468	555,728
With National Bank of Pakistan in local currency current account		14,445,038	15,738,959
		<u>61,265,859</u>	<u>46,753,868</u>

6.1 This includes national prize bonds amounting to Rs. 172.510 million (2014: Rs. 122.066 million).

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

6.3 This represents US Dollar settlement account maintained with SBP.

	Note	2015	2014
(Rupees in '000)			
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
- current account		25,591	3,098
- deposit account	7.1	6,290,957	39,402
Outside Pakistan			
- current account		2,227,350	2,211,308
- deposit account	7.2	1,514,764	809,966
		<u>10,058,662</u>	<u>3,063,774</u>

7.1 Balances with other banks inside Pakistan in deposit accounts carry interest rate ranging from 2.60% to 6.90% per annum (2014: 7.00% to 8.25% per annum).

7.2 Balances with other banks outside Pakistan in deposit accounts carry interest rate ranging from 0.40% to 2.45% per annum (2014: 0.90% to 2.50% per annum).

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For the year ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1 & 8.2	2,795,034	382,950
Repurchase agreement lendings	8.2 & 8.3	72,710	1,035,231
Bai Muajjal	8.4	2,264,736	-
		5,132,480	1,418,181
8.1 Particulars of lendings			
In local currency		3,264,736	1,000,000
In foreign currencies		1,867,744	418,181
		5,132,480	1,418,181

8.2 These carry mark up rates ranging from 0.25% to 6.40% per annum (2014 : 5% to 10.35%).

8.3 Securities held as collateral against lendings to financial institutions

	2015			2014		
	Held by bank	Further Given as collateral	Total	Held by bank	Further given as collateral	Total
(Rupees in '000)						
Market Treasury Bills	72,710	-	72,710	1,035,231	-	1,035,231
	72,710	-	72,710	1,035,231	-	1,035,231

8.4 This represents outright purchase of GOP Ijara Sukuk (GIS) on deferred payment basis (Bai-Muajjal) at returns of 5.99% per annum.

Notes to and forming part of the Consolidated Financial Statements

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9. INVESTMENTS - NET

9.1 Investments by types

Note	2015			2014		
	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	158,254	-	158,254	52,330	-	52,330
- Units in open ended mutual fund	415,292	-	415,292	504,702	-	504,702
- Pakistan Investment Bonds	208,955	-	208,955	-	-	-
	782,501	-	782,501	557,032	-	557,032
Available-for-sale securities						
- Market Treasury Bills	142,229,818	82,946,230	225,176,048	113,790,156	25,908,740	139,698,896
- Pakistan Investment Bonds	279,833,175	-	279,833,175	329,079,474	-	329,079,474
- Shares in listed companies	17,357,412	-	17,357,412	11,887,621	-	11,887,621
- Units in open ended mutual fund	304,112	-	304,112	257,841	-	257,841
- Shares in unlisted companies	205,948	-	205,948	206,027	-	206,027
- NIT units	5,253	-	5,253	5,253	-	5,253
- Sukuk Bonds	1,946,634	-	1,946,634	3,715,236	-	3,715,236
- Term Finance Certificates (TFCs)	498,800	-	498,800	930,653	-	930,653
	442,381,152	82,946,230	525,327,382	459,872,261	25,908,740	485,781,001
Held-to-maturity securities						
- Market Treasury Bills	2,064,940	63,608	2,128,548	1,780,611	58,441	1,839,052
- Pakistan Investment Bonds	103,097	-	103,097	-	-	-
- Provincial Government Securities	118	-	118	118	-	118
- Sukuk Bonds	1,313,007	-	1,313,007	244,489	-	244,489
- Euro Bonds	2,757,628	-	2,757,628	2,283,917	-	2,283,917
- Term Finance Certificates (TFCs), - Debentures, Bonds and Participation	6,271,422	-	6,271,422	3,516,856	-	3,516,856
- Certificates of deposit	941,031	-	941,031	-	-	-
- Certificates of Investment	285,161	-	285,161	-	-	-
	13,736,404	63,608	13,800,012	7,825,991	58,441	7,884,432
Associates						
- Adamjee Insurance Company Limited	5,456,165	-	5,456,165	6,203,825	-	6,203,825
- Euronet Pakistan (Private) Limited	64,962	-	64,962	64,511	-	64,511
	5,521,127	-	5,521,127	6,268,336	-	6,268,336
Investments at cost						
	462,421,184	83,009,838	545,431,022	474,523,620	25,967,181	500,490,801
Less: Provision for diminution in value of investments	(2,534,177)	-	(2,534,177)	(1,702,808)	-	(1,702,808)
Investments (net of provisions)						
Surplus / (Deficit) on revaluation of available for sale securities - net	21,402,889	(743)	21,402,146	18,095,419	(12,437)	18,082,982
Surplus / (Deficit) on revaluation of 'held for trading' securities - net	577	-	577	27,324	-	27,324
Investments at revalued amounts-net of provisions						
	481,290,473	83,009,095	564,299,568	490,943,555	25,954,744	516,898,299

Notes to and forming part of the Consolidated Financial Statements

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	Note	2015	2014
(Rupees in '000)			
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills		225,176,048	139,698,896
- Pakistan Investment Bonds		280,145,227	329,079,474
- Euro Bonds		2,757,628	2,283,917
- Sukuk Bonds		1,946,634	3,715,236
Overseas Government Securities			
- Market Treasury Bills - Sri Lanka		2,128,548	1,839,052
- Development Bonds - Sri Lanka		2,207,865	607,880
Provincial Government Securities		118	118
Associates		5,521,127	6,268,336
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas		17,452,381	11,876,666
- Unlisted companies / funds		205,948	206,027
Units of Open Ended Mutual Funds		719,404	762,543
Fully Paid-up Preference Shares:			
- Listed Companies		63,285	63,285
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates		2,281,548	1,445,050
- Unlisted Term Finance Certificates		1,513,439	1,789,213
- Commercial Papers		-	203,150
- Debentures, Bonds and Participation Term Certificates (PTCs)		767,370	402,216
Other Investments:			
- Sukuk Bonds		1,313,007	244,489
- Certificates of deposit		941,031	-
- Certificates of Investment		285,161	-
- NIT Units		5,253	5,253
Total investments at cost		545,431,022	500,490,801
Less: Provision for diminution in the value of investments	9.3	(2,534,177)	(1,702,808)
Investments (net of provisions)		542,896,845	498,787,993
Surplus on revaluation of available for sale securities - net	21.2	21,402,146	18,082,982
Surplus on revaluation of held for trading securities - net	9.5	577	27,324
Investments at revalued amounts - net of provisions		564,299,568	516,898,299
9.3 Particulars of provision			
Opening balance		1,702,808	2,549,959
Charge during the year		1,212,052	4,829
Reversal on disposal of shares		(340,683)	(491,342)
Reversal made during the year		(40,000)	(360,638)
		831,369	(847,151)
Closing balance		2,534,177	1,702,808
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Listed shares / Certificates / Units		2,354,198	1,502,571
Unlisted shares		78,191	77,070
		2,432,389	1,579,641
Held-to-maturity securities			
Unlisted TFCs, Debentures, Bonds and Participation Term Certificates		101,788	123,167
		2,534,177	1,702,808

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

9.4 Quality of 'available for sale' securities

	Note	2015		2014	
		Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
Market Treasury Bills	9.4.1	225,250,817	Unrated	139,647,839	Unrated
Pakistan Investment Bonds	9.4.1	300,601,447	Unrated	344,958,847	Unrated
Listed Term Finance Certificates					
Askari Bank Limited		-	-	244,695	AA-
Bank Alfalah Limited		506,645	AA-	516,380	AA-
Allied Bank Limited		-	-	180,618	AA
		506,645		941,693	
Shares in Listed Companies					
Aisha Steel Mills Limited - preference shares		1,392	Not available	1,231	A- & A2
Allied Bank Limited		454,842	AA+ & A1+	-	-
Altern Energy Limited		-	Not available	31	Not available
Archroma Pakistan Limited		58,776	Not available	72,826	Not available
Attock Petroleum Limited		453,863	Not available	556,024	Not available
Attock Refinery Limited		281,016	AA & A1+	-	-
Bank Alfalah Limited		484,637	AA & A1+	513,451	AA & A1+
Bank Al-Habib Limited		563,889	AA+ & A1+	533,396	AA+ & A1+
The Bank of Punjab		95,973	AA- & A1+	38	AA- & A1+
Bestway Cement Limited		22,051	AA- & A1+	-	-
Cherat Cement Company Limited		183,877	A & A1	-	-
Clover Pakistan Limited		11,296	Not available	-	-
Dawood Hercules Corporation Limited		333,437	AA- & A1+	-	-
Dolmen City REIT		170,390	Not available	-	-
Engro Corporation Limited		402,797	AA & A1+	215,131	AA- & A1+
Engro Fertilizers Limited		579,782	AA- & A1+	272,374	A+ & A1
Fatima Fertilizer Company Limited		-	AA- & A1+	346,021	AA- & A1+
Fauji Cement Company Limited		531,165	Not available	13	Not available
Fauji Fertilizer Bin Qasim Company Limited		18,965	Not available	629,594	Not available
Fauji Fertilizer Company Limited		1,429,811	Not available	864,588	Not available
Faysal Bank Limited		199,795	AA & A1+	-	-
Fecto Cement Limited		218,139	Not available	-	-
Ferozsons Laboratories Limited		202,009	Not available	-	-
First Capital Mutual Fund		81	2-Star	-	-
GlaxoSmithkline Pakistan Limited		-	Not available	480,947	Not available
Habib Metropolitan Bank Limited		198,832	AA+ & A1+	356,084	AA+ & A1+
Honda Atlas Cars (Pakistan) Limited		114,524	Not available	-	-
Hum Network Limited		181,969	A+ & A1	-	-
IGI Insurance Limited		99,000	AA	572,921	AA
International Steels Limited		110,919	Not available	115,289	Not available
K-Electric Limited		369,351	AA- & A1	27,660	A+ & A2
Kohat Cement Company Limited		289	Not available	141,816	Not available
Kot Addu Power Company Limited		965,642	AA+ & A1+	1,111,909	AA+ & A1+
Maple Leaf Cement Factory Limited		124,586	A & A1	-	-
Masood Textile Mills Limited - preference shares		50,000	Not available	50,000	Not available
Murree Brewery Company Limited		3,646	Not available	4,024	Not available
National Bank of Pakistan		374,821	AAA & A1+	428,950	AAA & A1+
National Foods Limited		4,422	AA- & A1	5,527	AA- & A1
National Refinery Limited		37,022	AA+ & A1+	97,582	AA+ & A1+
Nestle Pakistan Limited		484	Not available	98,116	Not available
NetSol Technologies Limited		-	Not available	70,368	Not available
*Next Capital Limited		14,216	A- & A2	11,213	Not available
Oil & Gas Development Company Limited		249,962	Not available	48	AAA & A1+
Pak Elektron Limited		353,226	A & A1	149,681	A- & A2
Balance carried forward		9,950,894		7,726,853	

Notes to and forming part of the Consolidated Financial Statements

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Note	2015		2014	
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
Balance brought forward	9,950,894		7,726,853	
Pakistan Oilfields Limited	467,131	Not available	262,439	Not available
Pakistan Petroleum Limited	266,120	Not available	365,258	Not available
Pakistan State Oil Company Limited	343,134	AA & A1+	14,460	AA+ & A1+
Pakcem Limited	153,721	A- & A2	472,735	BB+ & B
Packages Limited	384,949	AA & A1+	-	-
Pakistan International Bulk Terminal Limited	68,680	Not available	-	-
Pakistan National Shipping Corporation	146,423	AA- & A1+	-	-
Pakistan Reinsurance Company Limited	189,323	Not available	-	-
Pakistan Telecommunication Company Limited	266,561	Not available	56,193	Not available
Pioneer Cement Limited	205,889	Not available	-	-
Rafhan Maize Products Limited	457,088	Not available	290,929	Not available
Saif Power Limited	458,844	A+ & A1	292,942	A+ & A1
Samba Bank Limited	-	-	1	AA- & A1
Searle Pakistan Limited	-	-	158,067	BBB & A-3
Siemens Pakistan Engineering Company Limited	10,152	Not available	12,573	Not available
** Sui Northern Gas Pipelines Limited	1,014,363	AA- & A1	1,582,690	AA & A1+
Treet Corporation Limited	146,980	Not available	-	-
* Trust Securities & Brokerage Limited	1,032	Not available	1,254	Not available
Unilever Pakistan Foods Limited	5,159	Not available	7,699	Not available
United Bank Limited	592,050	AA+ & A1+	684,788	AA+ & A1+
Zulfqar Industries Limited	2,739	Not available	3,490	Not available
	15,131,232		11,932,371	
Open Ended Mutual Fund				
Pakistan Pension Fund	208,651	Not Applicable	195,442	Not Applicable
Pakistan Islamic Pension Fund	214,180	Not Applicable	199,355	Not Applicable
Pakistan Stock Market Fund	100,022	Not Applicable	39,724	Not Applicable
	522,853		434,521	
Closed Ended Mutual Fund				
PICIC Growth Fund	-		407,958	Not available
PICIC Investment Fund	211,438	Not available	158,643	Not available
	211,438		566,601	
Shares in Un-listed Companies	9.4.2			
* National Investment Trust Limited	100	AM2	100	AM2-
* SME Bank Limited	2,771	BB & B	3,892	BBB- & A3
First Capital Investment (Private) Limited	2,500	AM4+	2,500	AM4+
First Women Bank Limited	63,300	BBB+ & A2	63,300	BBB+ & A2
Pak Asian Fund	11,500	Not available	11,500	Not available
* Pakistan Agro Storage and Services corporation	2,500	Not available	2,500	Not available
* Arabian Sea Country Club	-	Not available	-	Not available
* Central Depository Company of Pakistan Limited	10,000	Not available	10,000	Not available
* National Institutional Facilitation Technologies (Private) Limited	1,526	Not available	1,526	Not available
Society for Worldwide Inter Fund Transfer (SWIFT)	1,738	Not available	1,738	Not available
* Islamabad Stock Exchange Limited	30,346	Not available	30,346	Not available
Lanka Clearing (Private) Limited	727	Not available	766	Not available
Lanka Financial Services Bureau Limited	727	Not available	766	Not available
Credit Information Bureau of Sri Lanka	22	Not available	23	Not available
	127,757		128,957	
Other Investment				
Sukuk Bonds	9.4.1			
	1,937,955	Unrated	3,666,210	Unrated
N.I.T. Units				
	6,995	AM2-	7,303	AM2-
	544,297,139		502,284,342	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

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 Group.

**This includes 37.292 million shares valuing Rs. 896.488 million (2014: 37.292 million shares valuing Rs. 1,070.639 million) which are held as strategic investment by the Group.

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

	Unrealized gain / (loss)		Cost	
	2015	2014	2015	2014
	(Rupees in '000)			
9.5.1 Investment in Shares				
Investee Company				
Attock Refinery Limited	278	-	9,892	-
The Bank of Punjab	(412)	-	18,832	-
Dewan Cement Limited	-	(260)	-	4,241
Engro Corporation Limited	100	-	12,472	-
Engro Foods Limited	(39)	-	6,269	-
Hascol Petroleum Limited	-	(737)	-	19,262
Hum Network Limited	(59)	-	381	-
International Industries Limited	-	(114)	-	6,161
International Steel Limited	(2,293)	-	23,945	-
K-Electric Limited	(1,210)	-	55,794	-
Pakistan State Oil Corporation Limited	(1,057)	-	30,669	-
Searle Pakistan Limited	-	(862)	-	18,178
United Bank Limited	-	(300)	-	4,488
Pakistan Investment Bonds	300	-	208,955	-
	(4,392)	(2,273)	367,209	52,330
9.5.2 Investment in units of mutual funds				
Investee Company				
MCB Dynamic Cash Fund	-	5,998	-	90,817
MCB Dynamic Allocation Fund	-	17,419	-	169,933
MCB Pakistan Sovereign Fund	5,787	6,180	330,061	243,952
MCB Cash Management Optimizer	46	-	10,356	-
MCB Pakistan Asset Allocation Fund	(864)	-	75,342	-
	4,969	29,597	415,759	504,702
	577	27,324	782,968	557,032
			2015	2014
			(Rupees in '000)	
9.5.3 At fair value through profit or loss				
Cost of investment			50,110	-
Unrealized gain			467	-
Fair value of investments			50,577	-
Fair value of investment				
Opening balance			-	30,938
Purchased during the year			234,111	44,157
Gain on fair value of remeasurement recognized in Profit & Loss			2,794	3,136
Investment redeemed during the year			(186,328)	(78,231)
Closing balance			50,577	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

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

9.7 The Bank has wound up its wholly owned subsidiary i.e. MCB Trade Services in 2015.

9.8 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2015 amounted to Rs. 5,457.279 million (2014: Rs. 5,042.493 million).

Investment in Adamjee Insurance Company Limited under equity method-holding 27.59% (2014: 29.13%)

	2015	2014
	(Rupees in '000)	
Opening Balance	6,203,825	5,386,250
Share of profit for the year before tax	783,180	580,609
Dividend from associate	(289,716)	(229,390)
Share of tax	(72,895)	(47,461)
	420,569	303,758
Share of other comprehensive income	(840,911)	513,817
Disposal during the year	(327,318)	-
Closing Balance	5,456,165	6,203,825

9.8.1 Share of other comprehensive income

Share of unrealized surplus on assets -net of tax	(844,716)	541,972
Share of exchange translation reserve of associate	3,805	(28,155)
	(840,911)	513,817

9.9 Investment of the Group in Euronet Pakistan Private Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

Investment in Euronet Pakistan Private Limited under equity method - holding 30%

	2015	2014
	(Rupees in '000)	
Opening Balance	64,511	63,426
Share of profit for the year before tax	12,427	1,162
Dividend from associate	(5,700)	-
Share of tax	(6,276)	(77)
Closing Balance	451	1,085
	64,962	64,511

9.10 Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2014: Rs. 232.60 million) earmarked by the SBP and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2014: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.

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

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

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	Note	2015	2014
		(Rupees in '000)	
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		295,847,652	280,297,779
Outside Pakistan		15,676,687	13,477,931
		<u>311,524,339</u>	<u>293,775,710</u>
Islamic Financing and related assets	10.2	10,124,699	13,885,804
Net investment in finance lease	10.3		
In Pakistan		2,100,015	2,101,598
Outside Pakistan		578,704	1,032,743
		<u>2,678,719</u>	<u>3,134,341</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,168,459	4,406,599
Payable outside Pakistan		4,318,976	7,556,783
		<u>9,487,435</u>	<u>11,963,382</u>
Advances - gross		<u>333,815,192</u>	<u>322,759,237</u>
Provision against advances	10.5		
Specific provision		(17,848,909)	(18,149,201)
General provision		(332,614)	(322,307)
General provision against consumer loans and small enterprise loans		(284,400)	(254,595)
General provision by Sri Lanka Operations and MCB Leasing		(38,412)	(32,571)
		<u>(18,504,335)</u>	<u>(18,758,674)</u>
Advances - net of provision		<u>315,310,857</u>	<u>304,000,563</u>
10.1 Particulars of advances (gross)			
10.1.1 In local currency		303,234,139	285,542,597
In foreign currencies		30,581,053	37,216,640
		<u>333,815,192</u>	<u>322,759,237</u>
10.1.2 Short-term		225,755,110	231,929,535
Long-term		108,060,082	90,829,702
		<u>333,815,192</u>	<u>322,759,237</u>
10.2 Islamic Financing and related assets	Annexure -II		
Islamic Financing		3,399,460	6,089,304
Inventories		4,841,213	6,526,434
Advance against Murabaha		238,217	1,036,720
Advance against Future Ijara		71,872	108,984
Advance against Diminishing Musharaka		1,423,937	124,362
Advance against Istisna		150,000	-
		<u>10,124,699</u>	<u>13,885,804</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

10.3 Net investment in finance lease

	2015				2014			
	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	406,074	1,246,316	1,473,207	3,125,597	845,629	1,678,352	1,348,872	3,872,853
Guaranteed residual value	13,858	32,953	4,479	51,290	20,901	36,245	2,243	59,389
Minimum lease payments	419,932	1,279,269	1,477,686	3,176,887	866,530	1,714,597	1,351,115	3,932,242
Finance charge for future periods	(18,119)	(116,804)	(363,245)	(498,168)	(168,792)	(243,036)	(386,073)	(797,901)
Present value of minimum lease payments	401,813	1,162,465	1,114,441	2,678,719	697,738	1,471,561	965,042	3,134,341

10.4 Advances include Rs. 20,369.225 million (2014: Rs. 21,907.791 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2015								
		Classified Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)										
Other Assets Especially										
Mentioned (OAEM)	10.4.1	-	-	-	-	-	-	-	-	-
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
(Rupees in '000)										
Category of Classification	Note	2014								
		Class Advances			Specific Provision Required			Specific Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)										
Other Assets Especially										
Mentioned (OAEM)	10.4.1	50,405	-	50,405	3,477	-	3,477	3,477	-	3,477
Substandard		234,172	-	234,172	58,352	-	58,352	58,352	-	58,352
Doubtful		873,888	-	873,888	436,526	-	436,526	436,526	-	436,526
Loss		15,896,249	4,853,077	20,749,326	15,241,574	2,409,272	17,650,846	15,241,574	2,409,272	17,650,846
		17,054,714	4,853,077	21,907,791	15,739,929	2,409,272	18,149,201	15,739,929	2,409,272	18,149,201

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

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Note	2015				Total
	Specific	General	General provision against consumer & SEs loans	General provision by Sri Lanka Operations & MCB Leasing	
(Rupees in '000)					
10.5 Particulars of provision against advances					
Opening balance	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
Reversals	(2,559,886)	-	-	-	(2,559,886)
	(333,600)	10,307	29,805	7,523	(285,965)
Amounts written off	(24,543)	-	-	-	(24,543)
Closing balance	17,848,909	332,614	284,400	38,412	18,504,335

Note	2014				Total
	Specific	General	General provision against consumer & SEs loans	General provision by Sri Lanka Operations & MCB Leasing	
(Rupees in '000)					
Opening balance	19,450,148	267,860	201,354	29,931	19,949,293
Exchange adjustments	(74,558)	-	-	(1,462)	(76,020)
Provision made during the year	2,193,998	54,447	53,241	4,102	2,305,788
Reversals	(3,399,533)	-	-	-	(3,399,533)
	(1,205,535)	54,447	53,241	4,102	(1,093,745)
Amounts written off	(20,854)	-	-	-	(20,854)
Closing balance	18,149,201	322,307	254,595	32,571	18,758,674

10.5.1 Particulars of provisions against advances

	2015			2014		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	15,272,320	617,014	15,889,334	15,739,929	576,902	16,316,831
In foreign currencies	2,576,589	38,412	2,615,001	2,409,272	32,571	2,441,843
	17,848,909	655,426	18,504,335	18,149,201	609,473	18,758,674

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

10.5.2 The following amounts have been charged to the profit and loss account:

	Note	2015	2014
(Rupees in '000)			
Specific provision		(333,600)	(1,205,535)
General provision	10.5.3	10,307	54,447
General provision against consumer & Small Enterprise loans	10.5.5	29,805	53,241
General provision by Sri Lanka Operations and MCB Leasing		7,523	4,102
		<u>(285,965)</u>	<u>(1,093,745)</u>

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

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

10.5.5 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision against Small Enterprise Finance represents provision maintained at an amount equal to 1% of the fully secured performing portfolio and 2% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

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

	Note	2015	2014
(Rupees in '000)			
10.6 Particulars of write offs:			
10.6.1 Against provisions	10.5	24,543	20,854
Directly charged to the profit and loss account		67	20
		<u>24,610</u>	<u>20,874</u>
10.6.2 Write offs of Rs. 500,000 and above	10.6.3	22,700	17,672
Write offs of below Rs. 500,000		1,910	3,202
		<u>24,610</u>	<u>20,874</u>

10.6.3 Details of loan write offs of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2015 is given at Annexure- III in unconsolidated financial statements. However, this write off does not affect the Bank's right to recover the debts from these customers.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

	Note	2015	2014	
		(Rupees in '000)		
10.7	Particulars of advances to directors, executives, associated companies, etc.			
	Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons			
	Balance at beginning of the year	3,567,212	3,702,503	
	Loans granted during the year	854,399	738,039	
	Repayments	(802,721)	(873,330)	
	Balance at end of the year	3,618,890	3,567,212	
	Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
	Balance at beginning of the year	23,467	118,769	
	Loans granted during the year	-	627,390	
	Repayments	(22,581)	(722,692)	
	Balance at end of the year	886	23,467	
		3,619,776	3,590,679	
11.	OPERATING FIXED ASSETS			
	Capital work-in-progress	11.1	1,132,926	1,065,940
	Property and equipment	11.2	30,859,972	29,537,332
	Intangible asset	11.3	1,004,487	980,374
			32,997,385	31,583,646
11.1	Capital work-in-progress			
	Civil works		136,749	129,757
	Advances to suppliers and contractors		308,547	84,077
	Others		687,630	852,106
			1,132,926	1,065,940

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

11.2 Property and equipment

Description	2015								Annual Rate of depreciation /estimated useful life
	Cost/Revalued amount			Accumulated depreciation			Net Book value at December 31, 2015		
	At January 01, 2015	Additions/ (disposals)/ Exchange and other adjustments	Adjustment 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)	(10,315)	9,737,452	223,373	260,302 (1,499) (273)	481,903	9,255,549	upto 70 years
Buildings on leasehold land	49,270	56,796	-	106,705	2,794	4,086	6,924	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	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	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	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	20%
Ijarah Assets									
Assets held under Ijarah - Car	1,228,537	346,608 (176,538)	-	1,398,607	290,502	250,722 (105,248)	435,976	962,631	20%
Assets held under Ijarah - Equipment	826,634	164,507 (114,459)	-	876,682	312,054	166,003 (99,242)	378,815	497,867	20%
	38,970,818	3,590,467 (1,245,384) (21,678)	(92,305)	41,201,918	9,433,486	2,051,557 (1,133,889) (9,208)	10,341,946	30,859,972	

11.2 Property and equipment

Description	2014								Annual Rate of depreciation /estimated useful life
	Cost/Revalued amount			Accumulated depreciation			Net Book value at December 31, 2014		
	At January 01, 2014	Additions/ (disposals)/ Exchange and other adjustments	At December 31, 2014	At January 01, 2014	Charge for the year/ (depreciation on disposals)/ exchange and other adjustments	At December 31, 2014			
(Rupees in '000)									
Land-Freehold	14,373,912	272,267	-	14,646,179	-	-	-	14,646,179	-
Land-Lease Hold	125,632	122,317	-	247,949	-	-	-	247,949	-
Buildings on freehold land	7,377,725	1,784,842	-	9,159,305	15,541	207,849	223,373	8,935,932	upto 70 years
Buildings on leasehold land	49,996	(3,262)	-	49,270	-	2,798	2,794	46,476	upto 50 years
Leasehold Improvements	663,619	45,704 (726)	-	709,669	308,206	160,692 (842)	468,056	241,613	3 years
Furniture and fixture	1,088,171	145,722 (11,250) (4,765)	-	1,217,878	639,179	97,627 (9,766) (1,275)	725,765	492,113	10%
Electrical, Computers and office Equipment	8,440,072	1,648,678 (69,418) (6,008)	-	10,013,324	6,217,053	839,887 (67,335) (4,502)	6,985,103	3,028,221	10% to 25%
Vehicles	748,307	185,252 (59,321) (2,165)	-	872,073	389,362	83,465 (45,279) (1,709)	425,839	446,234	20%
Ijarah Assets									
Assets held under Ijarah - Car	750,029	570,416 (91,908)	-	1,228,537	144,970	190,162 (44,630)	290,502	938,035	20%
Assets held under Ijarah - Equipment	563,369	354,931 (91,666)	-	826,634	231,837	160,387 (80,170)	312,054	514,580	20%
	34,180,832	5,130,129 (323,563) (16,580)	-	38,970,818	7,946,148	1,742,867 (247,180) (8,349)	9,433,486	29,537,332	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

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

	(Rupees in '000)
Total revalued amount of land	14,417,507
Total revalued amount of buildings	7,398,372

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2015 would have been as follows:

	(Rupees in '000)
Land	5,938,022
Buildings	6,778,419

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

Furniture and fixture	406,185
Electrical, computers and office equipment	5,517,742
Vehicles	493,145
Leasehold Improvements	409,787
Intangible asset	1,653,142

11.2.3 Details of disposal of operating fixed assets

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

11.3 Intangible asset

Description	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 (3,050)	3,103,849	1,990,096	385,915 (2,522)	2,373,489	730,360	3 - 7 years
Goodwill	82,127	-	82,127	-	-	-	82,127	
Management rights	192,000	-	192,000	-	-	-	192,000	
	2,970,470	410,556 (3,050)	3,377,976	1,990,096	385,915 (2,522)	2,373,489	1,004,487	
Description	2014							
	Cost			Accumulated amortization			Net Book value at December 31, 2014	Useful Life
	At January 01 2014	Additions/ adjustments	At December 31, 2014	At January 01, 2014	Amortization for the year/ adjustments	At December 31, 2014		
	(Rupees in '000)							
Computer software	2,224,847	474,991 (3,495)	2,696,343	1,627,948	364,648 (2,500)	1,990,096	706,247	3 - 7 years
Goodwill	82,127	-	82,127	-	-	-	82,127	
Management rights	192,000	-	192,000	-	-	-	192,000	
	2,498,974	474,991 (3,495)	2,970,470	1,627,948	364,648 (2,500)	1,990,096	980,374	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
12. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency		17,423,625	21,341,618
Income / mark-up accrued on advances and investments - foreign currencies		119,474	303,679
Accrued income, advances, deposits, and other prepayments		1,782,442	1,406,779
Advance taxation (payments less provisions)		2,886,358	3,246,452
Compensation for delayed income tax refunds		606,399	265,971
Non-banking assets acquired in satisfaction of claims	12.1	1,159,134	1,809,891
Unrealized gain on derivative financial instruments	12.2	449,550	862,138
Stationery and stamps on hand		85,004	39,142
Prepaid exchange risk fee		203	225
Receivable from the pension fund	36.3	5,656,386	7,263,254
Others		3,041,446	2,474,673
		<u>33,210,021</u>	<u>39,013,822</u>
Less: Provision held against other assets	12.3	1,294,811	1,125,667
		<u>31,915,210</u>	<u>37,888,155</u>

12.1 The market value of non-banking assets as per the valuation reports dated December 31, 2015 amounted to Rs. 1,203.499 million (2014: Based on valuation as of December 31, 2014 Rs. 2,039.087 million).

12.2 Unrealized gain on derivative financial instruments

	Contract / Notional amount		Unrealized gain	
	2015	2014	2015	2014
(Rupees in '000)				
Unrealized gain on:				
FX Options	1,460,979	-	27,574	-
Forward exchange contracts	68,363,806	46,863,967	421,976	862,138
	<u>69,824,785</u>	<u>46,863,967</u>	<u>449,550</u>	<u>862,138</u>

12.3 Provision held against other assets

	2015	2014
(Rupees in '000)		
Opening balance	1,125,667	1,081,715
Charge for the year	158,353	179,595
Reversal during the year	(3,113)	(102,660)
	155,240	76,935
Write off during the year	(7,382)	(8,774)
Exchange adjustments / reclassification	21,286	(24,209)
Closing balance	<u>1,294,811</u>	<u>1,125,667</u>

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2015 (2014: NIL).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

		2015	2014
		(Rupees in '000)	
14. BILLS PAYABLE			
In Pakistan		11,768,810	16,500,957
Outside Pakistan		206,427	126,743
		<u>11,975,237</u>	<u>16,627,700</u>
15. BORROWINGS			
In Pakistan		113,164,724	52,126,784
Outside Pakistan		5,450,307	7,649,794
		<u>118,615,031</u>	<u>59,776,578</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		113,164,724	52,126,784
In foreign currencies		5,450,307	7,649,794
		<u>118,615,031</u>	<u>59,776,578</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	15.3	11,426,588	10,604,033
Long term financing facility	15.4	4,422,334	4,828,527
Long term financing - export oriented projects scheme	15.5	5,108	60,365
Financing Facility for Storage of Agricultural Produce	15.6	470,367	509,061
		<u>16,324,397</u>	<u>16,001,986</u>
Repurchase agreement borrowings	15.7	83,010,691	25,952,261
		<u>99,335,088</u>	<u>41,954,247</u>
Unsecured			
Borrowings from other financial institution	15.8	2,271,636	4,696,990
Call borrowings	15.9	16,511,769	12,783,248
Overdrawn nostro accounts		496,538	342,093
		<u>19,279,943</u>	<u>17,822,331</u>
		<u>118,615,031</u>	<u>59,776,578</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 3.50% to 4.50% per annum.

15.4 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark up rates ranging from 5.0% to 6.0% per annum.

15.5 These borrowings have been obtained from SBP for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP. These carry mark up rates ranging from 3.50% to 4.0% per annum.

15.6 These Borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings are repayable within a period ranging from 3 years to 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 6.0% to 6.50% per annum (2014: 5.25% to 10% per annum) and are secured against government securities of carrying value of Rs. 83,009.095 million (2014: Rs. 25,954.744 million).

Notes to and forming part of the Consolidated Financial Statements

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15.8 These carry mark-up ranging from 1.45% to 12.70% per annum (2014: 1.20% to 15.0% per annum).

15.9 These carry mark-up ranging from 0.93% to 7.40% per annum (2014: 0.90% to 9.50% per annum). These are repayable by March, 2016.

16. DEPOSITS AND OTHER ACCOUNTS

	2015	2014
	(Rupees in '000)	
Customers		
Fixed deposits	48,746,900	62,126,560
Saving deposits	386,718,924	382,535,978
Current accounts	248,229,583	227,119,749
Margin accounts	5,217,836	4,207,605
	688,913,243	675,989,892
Financial institutions		
Remunerative deposits	10,964,397	7,193,847
Non-remunerative deposits	6,362,075	5,086,352
	17,326,472	12,280,199
	706,239,715	688,270,091
16.1 Particulars of deposits		
In local currency	660,286,051	650,570,738
In foreign currencies	45,953,664	37,699,353
	706,239,715	688,270,091

16.2 Deposits include deposits from related parties amounting to Rs. 11,373.010 million (2014: Rs. 17,167.162 million).

17. DEFERRED TAX LIABILITY / (ASSET) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

	Note	2015	2014
		(Rupees in '000)	
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	21.1	906,836	937,505
Accelerated tax depreciation		1,558,013	1,440,377
Receivable from pension fund		1,979,736	2,542,139
Investments in associates		1,092,940	285,262
Surplus/ (deficit) on revaluation of securities	21.2	7,414,163	5,947,082
		12,951,688	11,152,365
Deductible temporary differences on:			
Provision for bad debts		-	(21,640)
Taxable losses		(32,754)	(157)
Provision for post retirement benefits		(436,647)	(394,727)
		(469,401)	(416,524)
		12,482,287	10,735,841

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

18. OTHER LIABILITIES

	Note	2015	2014
(Rupees in '000)			
Mark-up / return / interest payable in local currency		7,308,359	10,074,023
Mark-up / return / interest payable in foreign currencies		70,247	78,704
Accrued expenses		8,827,443	7,602,338
Unclaimed dividend		1,372,972	730,196
Staff welfare fund		7,948	12,794
Unrealized loss on derivative financial instruments	18.1	549,260	856,591
Provision for employees' compensated absences	36.3	986,818	987,060
Provision for post retirement medical benefits	36.3	1,717,108	1,498,996
Provision for employees' contributory benevolent scheme	36.3	195,881	179,409
Staff gratuity payable		1,369	1,372
Security deposits		380,889	346,315
Branch adjustment account		152,609	12,957
Retention money		69,720	22,238
Insurance payable against consumer assets		290,550	213,547
Unclaimed balances		1,031,796	988,690
Duties and taxes payable		473,112	359,724
Others		6,055,050	5,962,116
		<u>29,491,131</u>	<u>29,927,070</u>

18.1 Unrealized loss on derivative financial instruments

	Contract / Notional amount		Unrealized loss	
	2015	2014	2015	2014
(Rupees in '000)				
Unrealized loss on:				
FX Options	1,460,979	-	27,574	-
Forward exchange contracts	79,447,578	50,474,436	521,686	856,591
	<u>80,908,557</u>	<u>50,474,436</u>	<u>549,260</u>	<u>856,591</u>

19. SHARE CAPITAL

19.1 Authorised Capital

2015		2014		2015		2014	
(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

2015			2014			2015	2014	
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	814,592,340	1,011,846,135	Opening balance	11,130,307	10,118,461
-	-	-	-	101,184,613	101,184,613	Shares issued during the year	-	1,011,846
<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 Consolidated Financial Statements

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19.3 Number of shares held by the associated undertakings as at December 31, are as follows:

	2015	2014
	(Number of shares)	
Adamjee Insurance Company Limited	38,102,387	34,606,587
Nishat Mills Limited	84,014,991	81,527,891
D.G. Khan Cement Company Limited	102,277,232	102,277,232
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>468,213,552</u>	<u>462,230,652</u>

20. RESERVES

	Note	2015	2014
		(Rupees in '000)	
Share premium		9,924,438	9,924,438
Exchange translation reserve		269,360	542,637
Statutory reserve	20.1	22,697,586	20,132,970
General reserve		18,600,000	18,600,000
		<u>51,491,384</u>	<u>49,200,045</u>

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

	Note	2015	2014
		(Rupees in '000)	
21. SURPLUS ON REVALUATION OF ASSETS- NET OF TAX			
Surplus / (deficit) arising on revaluation (net of tax) of:			
- fixed assets	21.1	11,113,681	11,251,810
- available-for-sale securities	21.2	13,988,353	12,135,900
Surplus / (deficit) arising on revaluation of assets of associated undertaking (net of tax)		1,309,451	2,274,153
		<u>26,411,485</u>	<u>25,661,863</u>
21.1 Surplus on revaluation of fixed assets-net of tax			
Surplus on revaluation of fixed assets as at January 01		12,189,315	12,263,444
Surplus / exchange adjustment during the year		-	37
Surplus realised on disposal of revalued properties - net of deferred tax		(88,695)	-
Related deferred tax liability		(3,610)	-
		(92,305)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(49,434)	(48,238)
Related deferred tax liability		(27,059)	(25,928)
		(76,493)	(74,166)
Surplus on revaluation of fixed assets as at December 31		12,020,517	12,189,315
Less: Related deferred tax liability on:			
Revaluation as at January 01		937,505	963,433
Surplus during the year		-	-
Disposal of revalued properties during the year transferred to profit and loss account		(3,610)	-
Incremental depreciation charged during the year transferred to profit and loss account		(27,059)	(25,928)
		906,836	937,505
		<u>11,113,681</u>	<u>11,251,810</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

	Note	2015	2014
		(Rupees in '000)	
21.2 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		74,769	(51,057)
- Pakistan Investment Bonds		20,768,272	15,879,373
Listed Securities			
- Shares / Certificates / Units		337,549	2,112,015
- Open Ended Mutual Funds		222,390	180,637
- Term Finance Certificates		7,845	11,040
		567,784	2,303,692
Sukuk Bonds		(8,679)	(49,026)
		21,402,146	18,082,982
Add: Related deferred tax (liability) / asset	17	(7,413,793)	(5,947,082)
		13,988,353	12,135,900
22. CONTINGENCIES AND COMMITMENTS			
22.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring			
Government		21,934,238	9,804,953
Banks and financial institutions		2,032,180	2,112,463
Others		1,965,279	4,099,362
		25,931,697	16,016,778
22.2 Transaction-related contingent liabilities			
Guarantees in favour of			
Government		9,961,864	10,629,286
Banks and financial institutions		585,970	6,104
Others		9,461,583	9,713,558
Suppliers' credit / payee guarantee		2,235,176	2,235,176
		22,244,593	22,584,124
22.3 Trade-related contingent liabilities		116,434,886	86,745,326
22.4 Other contingencies			
Claims against the Bank not acknowledged as debts		5,350,286	3,393,783
<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		75,975,136	47,859,438
Sale		71,836,248	49,478,965
22.7 Commitments for the acquisition of fixed assets		190,608	125,438
22.8 Other commitments			
FX options (notional amount)	23.1 & 23.2		
Purchase		1,460,979	-
Sale		1,460,979	-
Forward outright sale of Government Securities		-	250,000
Outright purchase of Government Securities		-	100,000

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

22.9 Taxation

For assessment year 1988-89 through tax year 2014, 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. 2,747 million (2014: Rs. 3,818 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 retaining our clientele, who are being lured away by competitors who are offering derivative products.
- 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), Risk Management Committee (RMC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Bank-wide basis. The Board provides the overall limits/thresholds for derivatives business.
- b) Macro Level: By Financial Institution Public Sector (FIPS) & Market Risk Management (MRM) Division, responsible for policy formulation, procedure development & implementation, monitoring and reporting.
- c) Micro Level: Treasury Derivatives 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, to support management of the derivatives business. 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 analysing the risk and benefits associated with the deals.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

23.1 Product analysis

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

Counter parties	2014					
	Cross Currency Swaps		Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
Total						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-

23.2 Maturity analysis

Remaining maturity	2015				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
FX Options					
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	-

Remaining maturity	2014				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			(Rupees in '000)		
FX Options					
Over 1 to 3 months	-	-	-	-	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	26,262,376	29,040,286
On investments in:		
Held for trading securities	52,926	939
Available for sale securities	53,290,916	47,072,191
Held to maturity securities	751,334	781,608
	54,095,176	47,854,738
On deposits with financial institutions	176,183	34,699
On securities purchased under resale agreements	163,629	448,129
On money at call	12,781	33,337
Profit on Bai Muajjal	16,257	-
	<u>80,726,402</u>	<u>77,411,189</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	23,367,740	30,340,761
Securities sold under repurchase agreements	5,289,380	1,091,677
Other short-term borrowings	1,915,252	1,711,487
Discount, commission and brokerage	491,701	498,862
Others	107,780	127,357
	<u>31,171,853</u>	<u>33,770,144</u>
26. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities		
Market Treasury Bills	171,638	(59,593)
Pakistan Investment Bonds	2,135,207	180,644
Others		
Shares and units- Listed	2,037,149	1,594,184
	<u>4,343,994</u>	<u>1,715,235</u>
27. OTHER INCOME		
Rent on property / lockers	272,637	165,610
Net profit on sale of property and equipment	136,285	31,051
Bad debts recovered	52,202	65,081
Compensation on tax refunds	1,444,324	1,127,996
Postal, SWIFT and other charges recovered	181,748	176,668
Switch and outsourcing revenue	3,766	3,682
	<u>2,090,962</u>	<u>1,570,088</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

	Note	2015	2014
(Rupees in '000)			
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		9,521,220	9,007,909
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	36.7	(775,903)	(831,689)
- Post retirement medical benefits	36.7	166,934	156,619
- Employees' contributory benevolent scheme	36.7	19,693	28,360
- Employees' compensated absences	36.7	141,585	233,167
- Gratuity scheme		383	355
		(447,308)	(413,188)
Contributions to defined contribution plan - provident fund		236,780	215,265
Voluntary Separation Scheme		-	26,288
Non-executive directors' fees		34,586	34,064
Rent, taxes, insurance and electricity		2,958,156	2,761,314
Legal and professional charges		249,639	301,531
Communications		1,238,179	969,084
Repairs and maintenance		1,714,830	1,528,825
Stationery and printing		621,898	565,059
Advertisement and publicity		363,183	318,641
Cash transportation charges		547,810	550,183
Instrument clearing charges		145,226	139,807
Donations	28.1	-	40,000
Auditors' remuneration	28.2	45,539	37,973
Depreciation	11.2	2,051,557	1,742,867
Amortization of intangible asset	11.3	385,915	364,648
Travelling, conveyance and fuel		334,732	319,919
Subscription		57,587	26,805
Entertainment		180,538	132,261
Training Expenses		46,078	35,415
Petty Capital items		60,458	47,459
Card Related Expenses		348,437	298,368
Outsourced security guards, tea services and janitorial expenses etc		2,079,721	1,686,443
CNIC verification charges		63,123	60,487
Others		148,799	217,214
		<u>22,986,683</u>	<u>21,014,641</u>

28.1 No donation has been made during the current year. Detail of donation made during the last year is as follows:

	2015	2014
(Rupees in '000)		
"Chief Minister's Relief Fund for IDPs North Waziristan – 2014"	-	40,000
	-	40,000

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

28.2 Auditors' remuneration

Annual Audit fee	13,885	12,976
Fee for audit and other certifications of overseas branches	7,569	3,665
Fee for the audit of subsidiaries	3,980	3,789
Tax and other certifications	14,796	16,214
Sales tax	2,635	-
Out-of-pocket expenses	2,674	1,329
	<u>45,539</u>	<u>37,973</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

		2015	2014
		(Rupees in '000)	
29. OTHER CHARGES			
Workers welfare fund		855,323	734,803
VAT and Crop Insurance Levy - Sri Lanka		43,978	56,431
Education cess		16,319	16,225
Impairment / loss on sale of Non-Banking assets		21,533	171,766
		<u>937,153</u>	<u>979,225</u>
30. TAXATION			
For the year			
Current		14,569,863	12,003,454
Deferred		496,663	529,658
		<u>15,066,526</u>	<u>12,533,112</u>
Prior years			
Current	30.1	1,894,674	(1,074)
Deferred		713,157	-
		<u>2,607,831</u>	<u>(1,074)</u>
Share of tax of associates		79,171	47,538
		<u>17,753,528</u>	<u>12,579,576</u>

30.1 The Finance Act 2015 has introduced certain amendments relating to taxation of banking companies. As per these amendments, bank's income from dividend and capital gains are now taxed at the normal tax rates instead of previously applicable reduced rates. In addition, one-time super tax at the rate of 4 percent of the taxable income has also been levied. These amendments apply retrospectively for the tax year 2015, i.e. year ended December 31, 2014. The effects of above amendments amounting to Rs.1,906 million (2014 : Nil) have been incorporated in these financial statements.

30.2 Relationship between tax expense and accounting profit

Accounting profit for the year	42,788,640	37,354,022
Tax rate	35%	35%
Tax on income	14,976,024	13,073,908
Tax effect on separate block of income (taxable at reduced rate)	-	(488,086)
Tax effect of prior years provisions	2,607,831	(1,074)
Others	169,673	(5,172)
Tax charge for the year	<u>17,753,528</u>	<u>12,579,576</u>

31. CREDIT RATING

PACRA through its notification dated June 24, 2015 has maintained bank's long term credit rating of AAA [Triple A] and short-term credit rating of A1+ [A one plus].

		2015	2014
		(Rupees in '000)	
32. BASIC AND DILUTED EARNINGS PER SHARE - PRE TAX			
Profit before taxation		42,788,640	37,354,022
		(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>38.44</u>	<u>33.56</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

		(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX			
Profit after taxation attributable to ordinary shareholders		24,910,001	24,655,587
		(Number of shares)	
Weighted average number of shares outstanding during the year		1,113,030,748	1,113,030,748
		(Rupees)	
Basic and diluted earnings per share - after tax		22.38	22.15
	Note	2015	2014
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	61,265,859	46,753,868
Balances with other banks	7	10,058,662	3,063,774
Overdrawn nostro accounts	15	(496,538)	(342,093)
		70,827,983	49,475,549
	Note	2015	2014
		(Numbers)	
35. STAFF STRENGTH			
Permanent		10,899	10,714
Temporary/contractual basis		97	88
Bank's own staff strength at the end of the year		10,996	10,802
Outsourced	35.1	1,495	1,499
Total staff strength		12,491	12,301

35.1 This excludes outsourced security guards and tea services staff.

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

The Bank operates the following retirement benefits for its employees:

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

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

36.2 Principal actuarial assumptions

The latest actuarial valuations of the approved pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2015. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2015	2014	2015	2014	2015	2014	2015	2014
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Valuation discount rate	10	11.25	10	11.25	10	11.25	10	11.25
Expected rate of return on plan assets	10	11.25	-	-	-	-	-	-
Salary increase rate	8.75	10	8.75	10	8.75	10	8.75	10
Medical cost inflation rate	-	-	-	-	10	8.25	-	-
Exposure inflation rate	-	-	-	-	-	3	-	-

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

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

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)									
Present value of defined benefit obligations	36.5	3,507,849	3,242,851	195,881	179,409	1,717,108	1,498,996	986,818	987,060
Fair value of plan assets	36.6	(9,164,235)	(10,506,105)	-	-	-	-	-	-
Net (receivable) / payable recognised as at the year-end		(5,656,386)	(7,263,254)	195,881	179,409	1,717,108	1,498,996	986,818	987,060

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the present value of medial obligation at December 31, 2015 would be Rs. 110.410 million (2014: Rs. 98.484 million) and Rs. 98.047 million (2014: Rs. 80.375 million) respectively.

36.4 Movement in balance (receivable) / payable

	Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
		2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)									
Opening balance of (receivable) / payable		(7,263,254)	(5,854,207)	179,409	213,438	1,498,996	1,340,476	987,060	934,009
Expense recognised	36.7	(775,903)	(831,689)	19,693	28,360	166,934	156,619	141,585	233,167
Employees' contribution		-	-	5,130	5,988	-	-	-	-
Benefits paid		-	-	(45,834)	(68,583)	(143,445)	(187,117)	(173,075)	(353,596)
Other Comprehensive income		2,382,771	(577,358)	37,483	206	194,623	189,018	31,248	173,480
Closing balance of (receivable) / payable		(5,656,386)	(7,263,254)	195,881	179,409	1,717,108	1,498,996	986,818	987,060

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	
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
Present value of obligation as at January 01,	3,242,851	3,834,422	179,409	213,438	1,498,996	1,340,476	987,060	934,009
Current service cost	41,213	44,905	7,218	6,372	6,366	13,602	40,276	43,672
Interest cost	344,182	452,099	17,605	23,289	160,568	162,099	101,309	98,437
Benefits paid	(366,900)	(713,479)	(45,834)	(68,583)	(143,445)	(187,117)	(173,075)	(353,596)
Loss / (gain) on settlement	-	(115,547)	-	4,687	-	(19,082)	-	91,058
-(Gain) / loss from change in demographic assumptions	-	-	-	-	-	-	-	-
-(Gain) / loss from change in financial assumptions	254,758	150,701	30,372	21,367	207,963	127,423	7,648	85,132
-Experience (gains) / losses	(8,255)	(410,250)	7,111	(21,161)	(13,340)	61,595	23,600	88,348
	246,503	(259,549)	37,483	206	194,623	189,018	31,248	173,480
Present value of obligation as at December 31,	3,507,849	3,242,851	195,881	179,409	1,717,108	1,498,996	986,818	987,060

Notes to and forming part of the Consolidated Financial Statements

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36.6 Changes in fair values of plan assets

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
Net assets as at January 01,	10,506,105	9,688,629	-	-	-	-	-	-
Expected return on plan assets	1,161,298	1,213,146	-	-	-	-	-	-
Refund / withdrawn from fund	-	-	-	-	-	-	-	-
Benefits paid	(366,900)	(713,479)	-	-	-	-	-	-
Actuarial gain / (loss)	(2,136,268)	317,809	-	-	-	-	-	-
Net assets as at December 31,	36.9	9,164,235	10,506,105	-	-	-	-	-

36.7 Charge for defined benefit plans and other benefits

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

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
Current service cost	41,213	44,905	7,218	6,372	6,366	13,602	40,276	43,672
Interest cost	344,182	452,099	17,605	23,289	160,568	162,099	101,309	98,437
Expected return on plan assets	(1,161,298)	(1,213,146)	-	-	-	-	-	-
Contributions employees	-	-	(5,130)	(5,988)	-	-	-	-
Loss / (gain) on settlement	-	(115,547)	-	4,687	-	(19,082)	-	91,058
	(775,903)	(831,689)	19,693	28,360	166,934	156,619	141,585	233,167

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the aggregate of the current service cost and interest cost components of net period post - employment medical costs would be Rs. 11.041 million (2014: Rs. 11.498 million) and Rs. 9.805 million (2014: Rs. 9.384 million) respectively.

36.8 Actual return on plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
Actual return on plan assets	(974,970)	1,530,955	-	-	-	-	-	-

36.9 Composition of fair value of plan assets

	Approved Pension Fund			
	2015		2014	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Listed equity shares	7,800,801	85.12	7,330,994	69.78
Open ended mutual funds units	435,283	4.75	388,142	3.69
Term Finance certificates	98,941	1.08	98,583	0.94
Cash and bank balances	829,210	9.05	2,688,386	25.59
Fair value of plan total assets	9,164,235	100	10,506,105	100

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

Shares of MCB	3,789,372	5,172,094
Bank balance with MCB	829,210	2,688,386
	4,618,582	7,860,480

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

36.10 Other relevant details of above funds are as follows:

36.10.1 Pension Fund

	2015	2014	2013	2012	2011
	(Rupees in '000)				
Present value of defined benefit obligation	3,507,849	3,242,851	3,834,422	4,259,671	4,262,421
Fair value of plan assets	(9,164,235)	(10,506,105)	(9,688,629)	(22,688,154)	(19,543,388)
(Surplus) / deficit	(5,656,386)	(7,263,254)	(5,854,207)	(18,428,483)	(15,280,967)
Actuarial gain / (loss) on obligation	(246,503)	259,549	(83,090)	20,130	(190,661)
Actuarial gain / (loss) on assets	(2,136,268)	317,809	539,261	1,194,359	(1,529,469)
36.10.2 Employees' Contributory Benevolent Scheme					
Present value of defined benefit obligation	195,881	179,409	213,438	257,089	283,477
Fair value of plan assets	-	-	-	-	-
	195,881	179,409	213,438	257,089	283,477
Actuarial gain / (loss) on obligation	(37,483)	(206)	4,974	26,335	19,979
36.10.3 Post Retirement Medical Benefits					
Present value of defined benefit obligation	1,717,108	1,498,996	1,340,476	1,565,634	1,388,970
Fair value of plan assets	-	-	-	-	-
	1,717,108	1,498,996	1,340,476	1,565,634	1,388,970
Actuarial gain / (loss) on obligation	(194,623)	(189,018)	178,939	(129,950)	(19,198)
36.10.4 Compensated absences					
Present value of defined benefit obligation	986,818	987,060	934,009	594,100	535,870
Fair value of plan assets	-	-	-	-	-
	986,818	987,060	934,009	594,100	535,870
Actuarial gain / (loss) on obligation	(31,248)	(173,480)	(564,126)	(141,920)	(75,701)

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

37. DEFINED CONTRIBUTION PLAN

37.1 MCB Bank Limited(Holding company)

The Bank operates an approved contributory provident fund for 8,262 (2014: 7,724) employees where contributions are made by the Bank and employees at 8.33% per annum (2014: 8.33% per annum) of the basic salary.

The Bank also operates an approved non-contributory provident fund for 1,031 (2014: 1,105) employees who have opted for the new scheme, where contributions are made by the employees ranging from 8.33% to 12.50% per annum (2014: 8.33% to 12.5% per annum) of the basic salary.

37.2 MCB Financial Services Limited

The company operates the provident fund scheme covering all permanent employees. Contribution at the rate of 8.33% per annum are made both by the Company and employees to the fund.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for compensation, including all benefits, to the Chief Executive, Directors and Executives of the Group as follows:

	President / Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	(Rupees in '000)					
Fees	-	-	34,586	34,064	-	-
Managerial remuneration & Bonus	66,023	56,719	-	-	2,302,965	2,014,848
Retirement benefits	2,457	2,232	-	-	101,051	89,624
Rent and house maintenance	13,268	12,054	-	-	512,179	444,808
Utilities	2,948	2,679	-	-	114,649	99,208
Medical	-	-	-	-	33,965	29,484
Conveyance	-	-	-	-	517,139	504,087
	84,696	73,684	34,586	34,064	3,581,948	3,182,059
Number of persons	1	1	12	12	1216	1026

- 38.1. The Chairman has been provided with free use of the Bank maintained car. In addition to the above, the Chief Executive and certain executives are provided with free use of the Group's maintained cars and household equipments in accordance with the terms of their employment.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these consolidated financial statements.

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

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

- 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).

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

	Fair Value			Total
	Level 1	Level 2	Level 3	
(Rupees in '000)				
On balance sheet financial instruments				
Financial assets measured at fair value				
Held for trading securities				
- Shares in listed companies	153,562	-	-	153,562
- Units in open ended mutual fund	420,261	-	-	420,261
- Pakistan Investment Bonds	-	209,255	-	209,255
	573,823	209,255	-	783,078
Available-for-sale securities				
- Market Treasury Bills	-	225,250,817	-	225,250,817
- Pakistan Investment Bonds	-	300,601,447	-	300,601,447
- Shares in listed companies	15,342,670	-	-	15,342,670
- Units in open ended mutual fund	522,853	-	-	522,853
- NIT units	6,995	-	-	6,995
- Sukuk Bonds	-	1,937,955	-	1,937,955
- Term Finance Certificates (TFCs)	-	506,645	-	506,645
	15,872,518	528,296,864	-	544,169,382
Non - Financial Assets measured at fair value				
Operating fixed assets (land and buildings)	-	24,721,148	-	24,721,148
Off balance sheet financial instruments				
FX options purchase	-	1,488,553	-	1,488,553
FX options sale	-	1,433,405	-	1,433,405
Foreign exchange contracts Purchase	-	75,818,923	-	75,818,923
Foreign exchange contracts Sale	-	71,892,751	-	71,892,751

The valuation techniques used for above assets are same as disclosed in note 5.2 & 5.5 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 Sukuku Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX.

(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, Bonds and Sukuk certificates	Investments in debt securities (comprising term finance certificates, bonds, sukuk certificates 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. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises these as traded, thinly traded and non-traded securities.
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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

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)							
2015							
Total income	314,567	23,899,448	34,006,395	8,542,254	651,123	(600)	67,413,187
Total expenses	(90,296)	(4,642,968)	(17,225,834)	(2,380,229)	(285,820)	600	(24,624,547)
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%	-	-	-
(Rupees in '000)							
2014							
Total income	220,248	10,076,631	38,066,034	8,510,776	612,922	(2,664)	57,483,947
Total expenses	(97,316)	(1,276,463)	(16,602,402)	(1,872,772)	(283,636)	2,664	(20,129,925)
Income tax expense	-	-	-	-	-	-	(12,579,576)
Net income	122,932	8,800,168	21,463,632	6,638,004	329,286	-	24,774,446
Segment assets - (Gross of NPL's provision)	588,078	564,578,299	789,210,778	249,438,985	1,797,434	(649,104,339)	956,509,235
Advance taxation (payments less provisions)	-	-	-	-	-	-	3,246,452
Total assets	588,078	564,578,299	789,210,778	249,438,985	1,797,434	(649,104,339)	959,755,687
Segment non performing loans	-	-	8,261,678	13,646,113	-	-	21,907,791
Segment specific provision required	-	-	8,217,857	9,931,344	-	-	18,149,201
Segment liabilities	140,671	517,157,912	708,711,714	217,323,742	371,739	(649,104,339)	794,601,439
Deferred tax liability	-	-	-	-	-	-	10,735,841
Total liabilities - net	140,671	517,157,912	708,711,714	217,323,742	371,739	(649,104,339)	805,337,280
Segment return on assets (ROA) (%)	37.45%	1.87%	4.87%	3.55%	34.10%	-	-
Segment cost of fund (%)	-	9.92%	6.16%	9.35%	-	-	-

Total income = Net markup income + non-markup income

Total expenses = Non Mark up expenses + Provisions

Segment assets and liabilities include inter segment balances.

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

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

Notes to and forming part of the Consolidated Financial Statements

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41. RELATED PARTY TRANSACTIONS AND BALANCES

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

The Group enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Remuneration to Chief Executive, Directors and Executives is disclosed in note 38 to these consolidated financial statements.

	Directors		Associates		Other related parties		Key management	
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
A. Balances								
Deposits								
Opening balance	3,386,220	931,665	1,719,822	978,408	11,925,982	14,490,403	135,024	125,197
Received during the year	3,461,173	5,719,181	10,844,402	9,719,217	49,937,999	53,502,747	767,184	1,131,625
Withdrawn during the year	(5,128,385)	(3,264,626)	(9,704,624)	(8,977,803)	(55,208,685)	(56,067,168)	(763,102)	(1,121,798)
Closing balance	1,719,008	3,386,220	2,859,600	1,719,822	6,655,296	11,925,982	139,106	135,024
Advances								
Opening balance	1,549	2,185	-	-	21,918	116,584	88,073	78,927
Additions / adjustments during the year	-	-	-	-	-	627,390	15,414	24,281
Repaid during the year	(663)	(636)	-	-	(21,918)	(722,056)	(15,566)	(15,135)
Closing balance	886	1,549	-	-	-	21,918	87,921	88,073
Outstanding Balance of credit card	770	709	-	-	480	78	1,380	1,631
Receivable from Pension fund	-	-	-	-	5,656,386	7,263,254	-	-
B. Other transactions (including profit and loss related transactions)								
Outstanding commitments and contingent liabilities	-	-	8,937	11,405	531,782	656	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	6,459,845	7,497,696	-	-
Unrealized gain / (loss) on forward foreign exchange contracts Outstanding	-	-	-	-	(6,254)	(30,613)	-	-
Borrowings Outstanding	-	-	-	-	1,047,410	4,019,324	-	-
Call / Repo Borrowing deals entered during the year	-	-	-	-	1,095,000	-	-	-
Trade payable	-	-	44,472	9,757	17,901	5,653	-	-
Payments for Capital Expenditure	-	-	-	15,288	-	-	-	-
Investments in units	-	-	-	-	1,338,193	747,602	-	-
Redemption of units	-	-	-	-	1,510,455	825,662	-	-
Retention money	-	-	-	-	-	6,525	-	-
Markup payable	6,212	14,407	6,876	8,511	53,764	131,957	456	681
Other payable	2,423	-	516	2,136	2,680	-	-	-
Advance receivable	-	-	2,684	-	20,000	44,000	-	-
Markup Receivable	-	-	-	-	776	419	689	-
Other Receivable	-	-	-	6,195	456,631	274,870	-	-
Commission Receivable	-	-	34,964	-	2	-	-	-
Insurance premium paid-net of refund	-	-	360,918	482,843	3,480	574	-	-
Insurance claim settled	-	-	6,290	39,526	-	-	-	-
Markup income on advances	62	94	-	-	2,231	4,639	4,590	4,162
Forward exchange contracts matured during the year	-	-	-	-	101,360,304	85,628,251	-	-
Gain / (Loss) on forward foreign exchange contracts matured during the year	-	-	-	-	(129,339)	(272,914)	-	-
Dividend Income	-	-	295,416	229,390	51,774	34,282	-	-
Commission & FX income	-	-	832,580	757,822	14,604	7,419	-	-
Management fee and Advisory income	-	-	-	-	575,816	565,303	-	-
Reimbursement of expenses	-	-	-	-	6,515	1,871	-	-
Outsourcing service expenses	-	-	130,724	115,392	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	15	24
Gain / (loss) on sale of fixed assets	-	-	-	-	-	-	15	21
Cash sorting expenses	-	-	-	-	58,398	56,678	-	-
Stationery Expenses	-	-	-	-	194,207	191,482	-	-
Security guard expenses	-	-	-	-	400,551	321,424	-	-
Remuneration and non-executive directors fee	119,282	107,747	-	-	-	-	397,888	440,298
Mark-up expense	106,098	60,678	72,239	80,348	648,917	906,010	1,766	3,686
Clearing expenses paid to NIFT	-	-	-	-	141,433	138,727	-	-
Contribution to provident fund	-	-	-	-	235,403	214,712	-	-
Gas Charges	-	-	-	-	16,875	10,831	-	-
Rent and other expenses	-	-	7,981	4,976	721	1,152	-	-
Miscellaneous expenses and payments	-	-	-	109,130	50,963	56,186	-	-

The Chairman has been provided with free use of the Bank maintained car. The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

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 paid up capital of the Bank for the year ended December 31, 2015 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) 30% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position,
- Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and investments up to a maximum of 45 % of the balance and 40% of remaining 55% for 2015 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) 30% 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 (10.25% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

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

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

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42.3 Capital Adequacy Ratio

	2015	2014
	(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	41,297,586	38,732,970
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	52,631,368	49,765,031
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)	512,076	511,960
9 CET 1 before Regulatory Adjustments	115,495,775	110,064,706
10 Total regulatory adjustments applied to CET1 (Note 42.3.1)	4,407,284	4,698,923
11 Common Equity Tier 1	111,088,491	105,365,783
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)	111,088,491	105,365,783
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	655,426	609,473
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	7,511,585	6,355,692
29 of which: Unrealized gains/losses on AFS	10,184,110	8,014,952
30 Foreign Exchange Translation Reserves	269,360	542,637
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	18,620,481	15,522,754
33 Total regulatory adjustment applied to T2 capital (Note 42.3.3)	1,636,850	2,481,530
34 Tier 2 capital (T2) after regulatory adjustments	16,983,631	13,041,224
35 Tier 2 capital recognized for capital adequacy	16,983,631	13,041,224
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	16,983,631	13,041,224
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	128,072,122	118,407,007
39 Total Risk Weighted Assets (RWA) (for details refer Note 42.6)	638,001,618	580,157,751
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	17.41%	18.16%
41 Tier-1 capital to total RWA	17.41%	18.16%
42 Total capital to total RWA	20.07%	20.41%

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

	2015	2014
	(Rupees in '000)	
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.00%	5.50%
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)	11.41%	12.66%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	5.50%
49 Tier 1 minimum ratio	7.50%	7.00%
50 Total capital minimum ratio	10.00%	10.00%
50 Total capital minimum ratio plus CCB	10.25%	10.00%
Leverage Ratio		
Tier 1 Capital	111,088,491	105,365,783
Total Exposures	1,312,382,296	1,145,568,624
Leverage Ratio	8.46%	9.20%

Regulatory Adjustments and Additional Information

2015	2014
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)	1,217,647		1,101,802
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	1,470,660	3,676,650	944,223
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*	1,636,850		2,570,771
22 Total regulatory adjustments applied to CET1	4,407,284		4,698,923

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

	2015	2014
	Amount	Amounts subject to Pre - Basel III treatment
	(Rupees in '000)	
42.3.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments		
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	89,241
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	1,636,850	2,481,530
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	1,636,850	2,481,530
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	1,636,850	2,481,530
42.3.4 Additional Information		
	2015	2014
	(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	2,205,990	3,776,892
(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)	655,426	609,473
42 Cap on inclusion of provisions in Tier 2 under standardized approach	5,293,589	4,607,395
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, 2015

42.4 Capital Structure Reconciliation

Step 1

	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation
	As at 31-12-2015	As at 31-12-2015
(Rupees in '000)		
Assets		
Cash and balances with treasury banks	61,265,859	61,265,859
Balanced with other banks	10,058,662	10,058,662
Lending to financial institutions	5,132,480	5,132,480
Investments	564,299,568	564,299,568
Advances	315,310,857	315,310,857
Operating fixed assets	32,997,385	32,997,385
Deferred tax assets	-	-
Other assets	31,915,210	31,915,210
Total assets	1,020,980,021	1,020,980,021
Liabilities & Equity		
Bills payable	11,975,237	11,975,237
Borrowings	118,615,031	118,615,031
Deposits and other accounts	706,239,715	706,239,715
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	12,482,287	12,482,287
Other liabilities	29,491,131	29,491,131
Total liabilities	878,803,401	878,803,401
Share capital	11,130,307	11,130,307
Reserves	51,491,384	51,491,384
Unappropriated profit	52,631,368	52,631,368
Minority Interest	512,076	512,076
Total Equity	115,765,135	115,765,135
Surplus on revaluation of assets - net of tax	26,411,485	26,411,485
Total liabilities & equity	1,020,980,021	1,020,980,021

Step 2

	Balance Sheet as per published Financial Statements	Under regulatory scope of consolidation	Ref
	As at 31-12-2015	As at 31-12-2015	
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	61,265,859	61,265,859	
Balanced with other banks	10,058,662	10,058,662	
Lending to financial institutions	5,132,480	5,132,480	
Investments	564,299,568	564,299,568	
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, 2015

Step 2	Balance Sheet	Under	Ref
	as per published	regulatory	
	Financial Statements	scope of consolidation	
	As at 31-12-2015	As at 31-12-2015	
	(Rupees in '000)		
Advances	315,310,857	315,310,857	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	655,426	655,426	g
Fixed Assets	32,997,385	32,997,385	
of which: Intangibles	1,217,647	1,217,647	k
of which: Goodwill	82,127	82,127	j
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	31,915,210	31,915,210	
of which: Defined-benefit pension fund net assets	5,656,386	5,656,386	l
Total assets	1,020,980,021	1,020,980,021	
Liabilities & Equity			
Bills payable	11,975,237	11,975,237	
Borrowings	118,615,031	118,615,031	
Deposits and other accounts	706,239,715	706,239,715	
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	12,482,287	12,482,287	
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	1,979,736	1,979,736	q
of which: other deferred tax liabilities	10,502,551	10,502,551	r
Other liabilities	29,491,131	29,491,131	
Total liabilities	878,803,401	878,803,401	
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	41,566,946	41,566,946	
of which: portion eligible for inclusion in CET1 (general reserve & statutory reserve)	41,297,586	41,297,586	u
of which: portion eligible for inclusion in Tier 2	269,360	269,360	v
Unappropriated profit	52,631,368	52,631,368	w
Minority Interest	512,076	512,076	
of which: portion eligible for inclusion in CET1	512,076	-	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	26,411,485	26,411,485	
of which: Revaluation reserves on fixed assets	11,211,321	11,211,321	aa
of which: Unrealized Gains/Losses on AFS	15,200,164	15,200,164	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	142,176,620	142,176,620	
Total liabilities and equity	1,020,980,021	1,020,980,021	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital	11,130,307 (s)
2	Balance in Share Premium Account	9,924,438
3	Reserve for issue of Bonus Shares	-
4	General/ Statutory Reserves	41,297,586 (u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/(losses)	52,631,368 (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)	512,076 (x)
8	CET 1 before Regulatory Adjustments	115,495,775
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)	1,217,647 (k) - (p)
11	Shortfall of provisions against classified assets	- (f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
13	Defined-benefit pension fund net assets	1,470,660 {(h) - (r)} * 40%
14	Reciprocal cross holdings in CET1 capital instruments	- {(l) - (q)} * 40%
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	1,636,850
30	Total regulatory adjustments applied to CET1	4,407,284
31	Common Equity Tier 1	111,088,491
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)	-
36	of which: instrument issued by subsidiaries subject to phase out	- (y)
37	AT1 before regulatory adjustments	-

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For the year ended December 31, 2015

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	-	
39	-	
40	-	
41	-	
42	-	(ac)
43	-	(ad)
44	1,636,850	
45	-	
46	-	
47	-	
48	111,088,491	
Tier 2 Capital		
49	-	
50	-	(n)
51	-	(z)
52	-	
53	655,426	(g)
54	17,695,695	
55	7,511,585	portion of (aa)
56	10,184,110	
57	269,360	(v)
58	-	
59	18,620,481	
Tier 2 Capital: regulatory adjustments		
60	1,636,850	
61	-	
62	-	
63	-	(ae)
64	-	(af)
65	1,636,850	
66	16,983,631	
67	16,983,631	
68	-	
69	16,983,631	
70	128,072,122	

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42.5 Main Features Template of Regulatory Capital Instruments

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

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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	
	2015	2014	2015	2014
	(Rupees in '000)			
Credit Risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Corporate portfolio	25,063,298	20,251,843	220,051,889	181,663,947
Banks / DFIs	1,167,690	790,276	10,252,135	7,088,968
Public sector entities	456,160	875,037	4,005,014	7,849,296
Sovereigns / cash & cash equivalents	1,307,166	789,130	11,476,715	7,078,684
Loans secured against residential property	153,702	143,279	1,349,482	1,285,245
Retail	1,876,790	1,742,630	16,477,928	15,631,817
Past due loans	293,131	353,659	2,573,642	3,172,406
Operating fixed assets	3,610,270	3,388,951	31,697,611	30,399,717
Other assets	1,325,330	3,414,426	11,636,191	30,628,229
	35,253,537	31,749,231	309,520,607	284,798,309
Off-Balance Sheet				
Non-market related	11,670,957	8,479,702	102,469,200	76,064,982
Market related	35,299	96,881	309,919	869,050
	11,706,256	8,576,583	102,779,119	76,934,032
Equity Exposure Risk in the Banking Book				
Listed	1,177,092	662,850	10,334,682	5,945,927
Unlisted	97,125	101,820	852,746	913,346
	1,274,217	764,670	11,187,428	6,859,273
Total Credit Risk	48,234,010	41,090,484	423,487,154	368,591,614
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	5,048,241	6,913,325	63,103,013	86,416,562
Equity position risk	2,503,797	1,906,082	31,297,462	23,826,025
Foreign exchange risk	1,355,198	492,917	16,939,979	6,161,462
Total Market Risk	8,907,236	9,312,324	111,340,454	116,404,049
Operational Risk				
Capital requirement for operational risks	8,253,921	7,612,967	103,174,010	95,162,088
Total	65,395,166	58,015,775	638,001,618	580,157,751
	2015		2014	
	Required	Actual	Required	Actual
	%	%	%	%
Capital Adequacy Ratio				
CET1 to total RWA	6.00	17.41	5.50	18.16
Tier-1 capital to total RWA	7.50	17.41	7.00	18.16
Total capital to total RWA	10.00	20.07	10.00	20.41
Total capital plus CCB to total RWA	10.25	20.07	10.00	20.41

* As SBP capital requirement plus CCB of 10.25% (10% in 2014) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

Notes to and forming part of the Consolidated Financial Statements

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43 RISK MANAGEMENT

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

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

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM&PRC), the senior management and its relevant committees, i.e. the Risk Management Committee (RMC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring 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:

- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Liquidity Risk Management
- Operational Risk Management

Keeping in view the international best practices and SBP requirements, Board of Directors of the Bank has approved a Risk Appetite Statement, which takes into account quantitative and qualitative risk indicators, covering target ratios, credit, market, operational, liquidity and business risks.

Notes to and forming part of the Consolidated Financial Statements

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43.1 Credit Risk

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

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-II requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Bank has developed rating systems and all its corporate and commercial borrowers are internally rated. Bank is in the process of continuously improving the system and bringing it inline with the Basel framework requirements.

In order to manage bank's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

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

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control, being an independent function from the business and operations group, is responsible for performing following activities:

- Credit disbursement authorization;
- Collateral coverage and monitoring;
- Compliance of loan covenants/ terms of approval;
- Maintenance/ custody of collateral and security documentation.

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulation R-1.

The Bank creates specific provision against Non- Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Please refer note No. 10.5 for reconciliation of changes in specific and general provisions.

Management of Non Performing Loans

The Bank has a 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 all credit exposures including funded and non-funded facilities are subject to stress test. This exercise is conducted on a quarterly basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

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43.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of advances (gross), deposits, contingencies and commitments.

	2015					
	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	19,859,381	5.95	40,225,479	5.70	2,527,464	0.79
Textile	37,016,119	11.09	5,097,512	0.72	17,742,329	5.53
Chemical, petroleum and pharmaceuticals	49,235,870	14.75	5,247,544	0.74	31,375,445	9.78
Cement	3,110,694	0.93	760,163	0.11	1,082,209	0.34
Sugar	17,838,444	5.34	2,456,170	0.35	1,274,073	0.40
Footwear and leather garments	1,357,271	0.41	249,942	0.04	410,134	0.13
Automobile and transportation equipment	374,417	0.11	2,270,323	0.32	875,228	0.27
Electronics and electrical appliances	3,269,086	0.98	663,045	0.09	2,384,396	0.74
Construction, engineering and steel	18,999,041	5.69	17,241,751	2.44	14,338,051	4.47
Power, energy, gas, water, sanitary	26,498,358	7.94	14,531,443	2.06	10,925,782	3.40
Wholesale, retail trade and distribution	16,131,341	4.83	33,981,815	4.81	6,084,618	1.90
Transport, storage and communication	51,602,228	15.46	3,352,246	0.47	29,643,055	9.24
Financial	8,312,633	2.49	10,477,011	1.48	151,147,649	47.10
Insurance	-	-	6,849,461	0.97	9,399	0.00
Services	2,932,655	0.88	56,423,763	7.99	23,898,662	7.45
Individuals	21,710,944	6.50	457,368,457	64.76	2,255,919	0.70
Others	55,566,710	16.65	49,043,590	6.95	24,910,999	7.76
	333,815,192	100	706,239,715	100	320,885,412	100

	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Agri, feed, forestry , poultry	21,369,968	6.62	36,870,083	5.36	7,313,455	3.23
Textile	37,094,287	11.49	3,217,779	0.47	8,636,386	3.81
Chemical, petroleum and pharmaceuticals	46,483,618	14.40	3,929,431	0.57	21,556,743	9.52
Cement	1,857,325	0.58	692,982	0.10	1,462,137	0.65
Sugar	15,740,048	4.88	2,208,055	0.32	6,502,059	2.87
Footwear and leather garments	934,593	0.29	363,273	0.05	446,067	0.20
Automobile and transportation equipment	356,548	0.11	2,092,257	0.30	899,908	0.40
Electronics and electrical appliances	2,609,784	0.81	590,613	0.09	1,329,789	0.59
Construction, engineering and steel	10,747,187	3.33	14,267,389	2.07	14,492,505	6.40
Power, energy, gas, water, sanitary	24,858,205	7.70	22,399,807	3.25	6,926,486	3.06
Wholesale, retail trade and distribution	18,399,294	5.70	32,183,337	4.68	8,643,493	3.82
Transport, storage and communication	62,440,089	19.35	2,619,410	0.38	18,039,741	7.96
Financial	5,782,564	1.79	7,899,429	1.15	92,917,292	41.01
Insurance	-	-	4,319,868	0.63	11,867	0.01
Services	4,247,334	1.32	70,738,783	10.28	19,929,088	8.80
Individuals	14,341,922	4.44	426,579,274	61.98	743,002	0.33
Others	55,496,471	17.19	57,298,321	8.32	16,703,834	7.34
	322,759,237	100	688,270,091	100	226,553,852	100

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	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
43.1.1.2 Segment by sector						
Public / Government	69,100,256	20.70	46,908,466	6.64	81,904,830	25.52
Private	264,714,936	79.30	659,331,249	93.36	238,980,582	74.48
	<u>333,815,192</u>	<u>100</u>	<u>706,239,715</u>	<u>100</u>	<u>320,885,412</u>	<u>100</u>
	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)	(Rupees in '000)	(%)
Public / Government	88,409,306	27.39	55,756,607	8.10	39,578,389	17.47
Private	234,349,931	72.61	632,513,484	91.90	186,975,463	82.53
	<u>322,759,237</u>	<u>100</u>	<u>688,270,091</u>	<u>100</u>	<u>226,553,852</u>	<u>100</u>

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

	2015		2014	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Agri, feed, forestry , poultry	513,945	513,945	431,506	395,288
Textile	3,834,715	3,834,368	4,534,564	4,125,481
Chemical, petroleum and pharmaceuticals	141,321	141,321	194,097	194,097
Cement	-	-	-	-
Sugar	25,834	25,834	235,998	235,998
Footwear and leather garments	42,569	42,569	73,196	73,196
Automobile and transportation equipment	20,565	19,746	24,666	23,847
Electronics and electrical appliances	280,202	280,202	290,996	290,996
Construction, engineering and steel	1,486,015	1,486,015	92,040	92,040
Power (electricity), gas, water, sanitary	1,899	1,899	2,499	2,499
Wholesale, retail trade and distribution	3,327,072	3,316,758	3,640,093	3,524,368
Transport, storage and communication	90,865	90,848	596,035	596,035
Financial	798,668	798,668	803,843	803,843
Services	219,318	219,318	355,739	355,239
Individuals	2,923,719	2,911,209	2,931,911	2,884,887
Others	6,662,518	4,166,209	7,700,608	4,551,387
	<u>20,369,225</u>	<u>17,848,909</u>	<u>21,907,791</u>	<u>18,149,201</u>
43.1.1.4 Details of non-performing advances and specific provisions by sector				
Public/ Government	639,825	639,825	639,825	-
Private	19,729,400	17,209,084	21,267,966	18,149,201
	<u>20,369,225</u>	<u>17,848,909</u>	<u>21,907,791</u>	<u>18,149,201</u>

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43.1.1.5 Geographical segment analysis

	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	312,193,614
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>320,885,412</u>

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	36,846,710	923,127,641	135,525,801	220,705,725
South Asia	224,687	12,923,675	266,592	5,470,217
Middle East	247,310	4,557,300	245,749	377,910
Eurasia(Azerbaijan)	35,315	997,870	231,064	-
	<u>37,354,022</u>	<u>941,606,486</u>	<u>136,269,206</u>	<u>226,553,852</u>

Total assets employed include intra group items of Rs. NIL (2014: 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	2015			2014		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
(Rupees in '000)							
Corporate	1	20,357,275	-	20,357,275	11,939,397	-	11,939,397
	2	10,255,391	-	10,255,391	11,046,618	-	11,046,618
	3,4	1,085,755	-	1,085,755	2,084,712	-	2,084,712
	5,6	-	-	-	-	-	-
	Unrated	186,632,075	-	186,632,075	163,066,375	-	163,066,375
Bank	1	25,676,120	-	25,676,120	22,553,812	-	22,553,812
	2,3	3,521,336	-	3,521,336	708,589	-	708,589
	4,5	2,348,785	-	2,348,785	218,680	-	218,680
	6	464,416	-	464,416	1,126,231	-	1,126,231
	Unrated	753,505	-	753,505	673,524	-	673,524
Public Sector Entities in Pakistan	1	10,050,434	-	10,050,434	23,800,801	-	23,800,801
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	867,906	-	867,906
	Unrated	58,524,451	54,534,596	3,989,855	64,263,893	60,689,337	3,574,555
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash		60,967,498	-	60,967,498	31,134,139	-	31,134,139
	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	10,535,659	-	10,535,659	2,486,790	-	2,486,790
	4,5	-	-	-	3,061,262	-	3,061,262
	6	941,056	-	941,056	-	-	-
	Unrated	-	-	-	-	-	-
Mortgage		3,855,662	-	3,855,662	3,672,127	-	3,672,127
Retail		21,970,571	-	21,970,571	20,842,422	-	20,842,422

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

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

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

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

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

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

Concentration of risk

Out of the total financial assets of Rs. 973,436.033 million (2014: Rs. 892,377.412 million) the financial assets which are subject to credit risk amounting to Rs. 957,023.806 million (2014: Rs. 878,966.723 million). To manage credit risk the Bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 510,025.537 million (2014: Rs. 474,777.523 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 30,408.594 million (2014: Rs. 17,604.220 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 Group takes proprietary equity positions for both trading and strategic purposes. The Group has invested in its associated companies to achieve long term strategic objectives. As of December 31, 2015 the composition of equity investments and associated companies is as follows:

Composition of equity investments

Exposures	Held for trading	Available for Sale	Associates
(Rupees in '000)			
Equity investments – publicly traded	573,546	17,666,777	5,456,165
Equity investments - others	-	205,948	64,962
Total value	573,546	17,872,725	5,521,127

Classification of equity investments

Bank classifies its equity investment portfolio in accordance with the directives of SBP as follows:

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

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Policies, valuation and accounting of equity investments

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in associates are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account directly.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

The cumulative realized gain of Rs. 2,037.149 million has been credited to profit & loss account from sale of equity securities; however unrealized gain of Rs. 559.939 million was recognized in the balance sheet in respect of "AFS" equity securities. Further net provision for impairment in value of equity investments amounting to Rs. 852.748 million has been charged to profit and loss account.

43.2 Market Risk Management

Market Risk arises from changes in market rates such as Interest Rates, Foreign Exchange Rates, Equity Prices, credit spreads and/or commodity prices as well as their correlations and volatilities resulting in a loss to earnings and capital. MCB is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign Exchange Group and the Capital Market Group. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk.

The Bank's Market Risk Management structure consists of Risk Management & Portfolio Review Committee (RM&PRC) of the Board, Risk Management Committee of management, ALCO and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk is an independent risk management function that works in close partnership with the business segments to identify and monitor market risks throughout the Bank and to define market risk policies and procedures. Market Risk seeks to facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Bank's market risk profile for senior management, the Board of Directors and regulators. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

In line with regulatory requirements, MCB has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently, mostly on daily basis, valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market Risk by using conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Bank has established a specific Market Risk Limit Policy providing guideline for assuming controlled market risk, its monitoring and management. These Limits are compared with the numbers generated by the market risk management systems based on the trading activity and the outstanding positions.

Beside conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its treasury and capital market groups. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon.

A framework of stress testing, scenario analysis and reverse stress tests of both banking and trading books as per SBP guidelines is also in place. The results of the stress tests are reviewed by senior management and also reported to the SBP.

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The Bank is also exposed to interest rate risk both in trading and banking books. Risk numbers along with the marked to market values of government securities held by the Bank's treasury are generated on daily basis. The risk numbers include duration, PVBP, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

43.2.1 Foreign Exchange Risk Management

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

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

Limit structure to manage Foreign exchange risk is in place. Gap limits on different tenors in major currencies are in place to control risk. Bank's net open position and Foreign exchange exposure limit (FEEL) is monitored and reported on daily basis. Additionally, daily reports are generated to evaluate the exposure in different currencies. Risk management system generates VaR numbers for foreign exchange portfolio to estimate the potential loss under normal conditions. Stress testing of foreign exchange portfolio are also performed and reported to senior management. All these activities are performed on a daily basis.

	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>
	2014			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupee	881,326,900	744,528,893	1,701,427	138,499,434
Sri Lankan Rupee	20,767,861	20,785,111	363	(16,887)
United States Dollar	36,555,716	31,176,178	(7,819,739)	(2,440,201)
Pound Sterling	1,040,413	3,791,294	2,743,304	(7,577)
Japanese Yen	40,555	7	(41,686)	(1,138)
Euro	834,523	4,288,991	3,442,493	(11,975)
Other currencies	1,040,518	766,806	(26,162)	247,550
	<u>941,606,486</u>	<u>805,337,280</u>	<u>-</u>	<u>136,269,206</u>

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43.2.2 Equity Price Risk

Bank's proprietary positions in the equity instruments expose it to the equity price risk in its trading and banking books. Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR analysis and stress testing of the equity portfolio are also performed and reported to senior management on daily basis. The stress test for equity price risk assesses the impact of the fall in the stock market index using internal based assumptions. In addition to this Stress Testing and historical scenario analysis on Equities is also performed periodically as advised by the State Bank of Pakistan through Guideline on Stress Testing.

43.2.3 Country Risk

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

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

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

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43.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

Effective Yield/ Interest rate	Total	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											
	61,285,859	4,502,863	-	-	-	-	-	-	-	-	56,782,996
Cash and balances with treasury banks	10,058,662	5,505,721	2,300,000	-	-	-	-	-	-	-	2,252,941
Balances with other banks	558,778,441	49,985,019	176,561,096	7,094,871	136,240,275	45,415,570	68,874,976	14,684,365	43,999,554	-	16,522,715
Lendings to financial institutions	315,310,857	221,243,601	34,594,440	6,901,881	5,770,162	15,119,253	11,370,944	12,690,239	4,939,726	2,682,211	-
Investments - net	22,889,734	-	-	-	-	-	-	-	-	-	22,889,734
Advances - net	973,436,033	283,504,948	213,455,536	13,996,752	144,275,173	60,533,823	80,245,320	27,374,604	48,939,280	2,682,211	98,428,386
Other assets - net	11,975,237	-	-	-	-	-	-	-	-	-	11,975,237
Liabilities	118,615,031	85,656,671	8,247,323	19,611,110	2,651,022	2,448,905	-	-	-	-	-
Bills payable	706,239,715	409,681,724	13,590,967	9,322,886	12,890,970	630,288	77,345	236,041	-	-	259,809,494
Borrowings	25,508,566	-	-	-	-	-	-	-	-	-	25,508,566
Deposits and other accounts	862,338,549	495,335,395	21,838,290	28,933,996	15,541,992	3,079,193	77,345	236,041	-	-	297,293,297
Other liabilities	111,097,484	(211,833,447)	191,617,246	(14,937,244)	128,733,181	57,454,630	80,167,975	27,138,563	48,939,280	2,682,211	(198,864,911)
On-balance sheet gap	1,460,979	541,490	512,581	243,155	163,753	-	-	-	-	-	-
Off-balance sheet financial instruments	75,975,136	34,243,014	28,481,004	12,914,706	336,412	-	-	-	-	-	-
FX options purchase	77,436,115	34,784,504	28,993,885	13,157,861	500,165	-	-	-	-	-	-
Foreign exchange contracts Purchase	1,460,979	541,490	512,581	243,155	163,753	-	-	-	-	-	-
FX options sale	71,836,248	33,101,220	27,661,638	3,327,242	7,746,148	-	-	-	-	-	-
Foreign exchange contracts Sale	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	57,454,630	80,167,975	27,138,563	48,939,280	2,682,211	
Cumulative yield / interest risk sensitivity gap		(210,691,653)	(18,255,041)	(23,604,821)	97,718,624	155,173,254	235,341,229	262,479,792	311,419,072	314,101,283	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

Reconciliation to total assets	2015	2014	Reconciliation to total liabilities	2015	2014
	(Rupees in '000)			(Rupees in '000)	
Balance as per balance sheet	1,020,980,021	941,606,486	Balance as per balance sheet	878,803,401	805,337,280
Less: Non financial assets			Less: Non financial liabilities		
Investments	5,521,127	6,268,336	Other liabilities	3,982,565	3,881,328
Operating fixed assets	32,997,385	31,583,646	Deferred tax liability	12,482,287	10,735,841
Other assets	9,025,476	11,377,092		16,464,852	14,617,169
	47,543,988	49,229,074			
Total financial assets	973,436,033	892,377,412	Total financial liabilities	862,338,549	790,720,111

43.4 Liquidity Risk

Liquidity represents the ability to fund assets and meet obligations as they become due. The Bank understands that liquidity does not come for free, and surplus liquidity has an opportunity cost which needs to be recognized. Liquidity risk is a risk of not being able to obtain funds at a reasonable price within a reasonable time period to meet obligations as they become due. Liquidity is essential to the ability to operate financial services businesses and, therefore, the ability to maintain surplus levels of liquidity through economic cycles is crucial, particularly during periods of adverse conditions, liquidity management is among the most important activities that the MCB conducts during both normal and stress periods. MCB recognizes that liquidity risk can arise from the Bank's activities and can be grouped into three categories:

- Inflows/Outflows from on-balance sheet items (other than marketable securities and wholesale borrowings) and off-balance sheet items;
- Marketability of trading securities; and
- Capacity to borrow from the wholesale markets for funding as well as trading activities.

Liquidity Management

Asset Liability Management Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and crisis situation. MCB Bank monitors and assesses the impact of increase in NPLs, deposits concentration, deposits withdrawal, decline in earnings, expanded business opportunities, acquisitions and negative reputation on its liquidity positions. Liquidity Strategy is also in place, to ensure that the Bank can meet its temporal liquidity needs and optimize the contribution towards the profitability of the Bank. A framework to assess the maturity profile of non-contractual assets and liabilities is in place to supplement the liquidity management. As per preliminary assessments, the Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio as per Basel III are well within the prescribed limits.

MCB's liquidity risk management framework is designed to identify, measure and manage in a timely manner the liquidity risk position of the Bank. The underlying policies and procedures include: Risk Management policy, Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy and Limit Structure which are reviewed and approved regularly by the senior management /Board members. MCB Bank also conducts Liquidity Risk Analysis on regular basis. MCB liquidity Risk Policy envisages to project the Bank's funding position during temporary and long-term liquidity changes, including those caused by liability erosion and explicitly identifying, quantifying and ranking all sources of funding preferences, such as reducing assets, modifying or increasing liability structure; and using other alternatives for controlling statement of financial position changes. MCB performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. MCB's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.

Intraday Liquidity Management

Intraday liquidity management is about managing the daily payments and cash flows. Bank has policies to ensure that sufficient cash is maintained during the day to make payments through local payment system. The policy of the Bank is to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet obligations, repay depositors and fulfill commitments.

Managing Funding Sources

Managing funding sources, as per policy MCB maintain a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash flows for meeting unexpected liquidity requirement. As a part of liquidity management MCB maintains borrowing relationships to ensure the continued access to diverse market of funding sources. MCB's sound credit rating together with excellent market reputation has enabled MCB to secure ample call lines with local and foreign banks. The level of liquidity reserves as per regulatory requirements also mitigates risks. MCB's investment in marketable securities is much higher than the Statutory Liquidity requirements.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

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

		2014							
		(Rupees in '000)							
Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets									
Cash and balances with treasury banks	46,753,868	-	-	-	-	-	-	-	-
Balances with other banks	3,063,774	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,418,181	-	-	-	-	-	-	-	-
Investments - net	516,898,299	16,768,391	60,407,842	60,188,404	136,874,636	48,860,752	78,626,653	52,830,525	6,268,336
Advances - net	304,000,563	42,243,916	27,024,432	11,639,070	54,382,555	52,059,901	56,002,124	18,330,827	2,608,252
Operating fixed assets	31,583,646	173,663	520,988	1,041,975	2,475,008	2,083,950	4,167,900	10,419,750	10,353,087
Deferred tax assets	416,524	6,091	16,373	54,386	65,491	263,268	-	-	-
Other assets - net	37,888,155	12,593,147	894,374	2,490,237	-	-	8,613,086	-	-
	942,023,010	123,021,031	109,437,797	88,864,009	75,414,072	183,797,690	147,409,763	81,581,102	19,229,675
Liabilities									
Bills payable	16,627,700	-	-	-	-	-	-	-	-
Borrowings	59,776,578	31,414,474	17,605,143	5,297,275	2,750,905	2,708,781	-	-	-
Deposits and other accounts	688,270,091	49,807,024	43,468,710	52,998,330	15,349,942	168,836,417	157,423,589	52,576,542	-
Deferred tax liabilities	11,152,365	56,455	59,066	52,682	189,985	2,025,869	4,751,963	2,477,168	960,638
Other liabilities	29,927,070	13,771,458	3,189,043	5,279,664	2,626,352	3,606,004	379,352	596,491	-
	805,753,804	111,677,111	64,321,962	63,627,951	20,917,184	167,176,071	158,480,834	55,660,201	960,638
Net assets	136,269,206	11,343,920	45,115,835	25,236,058	54,496,888	26,621,619	(55,212,963)	25,930,901	18,269,037
Share capital	11,130,307	-	-	-	-	-	-	-	-
Reserves	49,200,045	-	-	-	-	-	-	-	-
Unappropriated profit	49,765,031	-	-	-	-	-	-	-	-
Non-controlling interest	511,960	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	25,661,863	-	-	-	-	-	-	-	-
	136,269,206	-	-	-	-	-	-	-	-
Liquidity Gap Reporting									
When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity. Bank regularly conducts an objective and systematic behavioral study using regression analysis technique to ascertain the maturity of its non-contractual assets and liabilities. Core and non-core parts of the non-contractual assets and liabilities are segregated through the behavioral study. Non Core part is placed among the short term maturity buckets i.e. up to 1 Year based on the model results, whereas core part is distributed among the longer terms buckets based on the discussion and decision by the ALCO. Following percentages are used to distribute the core assets and liabilities among longer term buckets:									
Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years						
30%	30%	30%	10%						

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2015

43.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Bank's operational risk management framework, as laid down in the operational risk policy, duly approved by BOD, is flexible enough to implement in stages and permits the overall risk management approach to evolve in the light of organizational learning and the future needs of the Bank. Operational loss events are reviewed and appropriate corrective actions taken on an ongoing basis, including measures to improve control procedures with respect to design and operative effectiveness.

Operational Risk Management helps the Bank understand risks and improve mitigating controls so as to minimize operational risks that are inherent in almost all areas of the Bank. Going forward, the Bank will further strengthen its risk function, policies and procedures to facilitate its operations and improve quality of assets to safeguard interest of depositors.

43.5.1 Operational Risk-Disclosures Basel II Specific

Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, the Bank took a number of initiative with respect to operational risk management. The parallel run approval for Alternative Standardized Approach (ASA) was accorded by SBP during the current year. The bank will initiate further steps for improvement Operational Risk management in the bank.

Operational loss data pertaining to key risk events is also collected on bank-wide basis. Operational Risk Management Software (ORMS) has been in house developed 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

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

Description	Amount (Rupees in '000)	Reclassified	
		From	To
Provision reversed on sale of listed shares	491,342	Gain on sale of securities - net	Provision / (reversal) for diminution in the value of investments - net
Cafeteria expenses	30,598	Administrative Expenses - Others	Administrative Expenses Entertainment Expenses

45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 09, 2016 has announced a final cash dividend in respect of the year ended December 31, 2015 of Rs. 4.00 per share (2014: Rs. 4.00 per share). These consolidated financial statements for the year ended December 31, 2015 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 09, 2016.



Imran Maqbool
President and Chief Executive



Mian Umer Mansha
Director



Mohd Suhail Amar Suresh
Director



Muhammad Ali Zeb
Director

Annexure - I

1. Particulars of Investments in listed companies & mutual funds-available for sale

Investee Entities	Note	Number of shares	Paid-up value per share (Rupees)	Total paid-up/nominal value (Rupees in '000)	Cost as at December 31, 2015
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					
Allied Bank Limited		4,825,400	10	48,254	543,514
Archroma Pakistan Limited		127,550	10	1,276	28,456
Attock Petroleum Limited		898,526	10	8,985	460,680
Attock Refinery Limited		1,326,300	10	13,263	278,569
Bank Alfalah Limited		16,816,000	10	168,160	499,807
Bank Al-Habib Limited		13,555,028	10	135,550	482,808
The Bank of Punjab		10,420,500	10	104,205	97,082
Bestway Cement Limited		160,000	10	1,600	22,162
Cherat Cement Company Limited		2,039,000	10	20,390	176,141
Clover Pakistan Limited		181,900	10	1,819	20,803
Dawood Hercules Corporation Limited		2,798,700	10	27,987	363,869
Dolmen City REIT		15,879,804	10	158,798	174,678
Engro Corporation Limited		1,441,700	10	14,417	444,820
Engro Fertilizers Limited		6,891,500	10	68,915	588,102
Fauji Cement Company Limited		14,426,000	10	144,260	523,550
Fauji Fertilizer Bin Qasim Company Limited		360,000	10	3,600	21,717
Fauji Fertilizer Company Limited		12,119,100	10	121,191	1,419,260
Faysal Bank Limited		12,948,500	10	129,485	225,121
Fecto Cement Limited		2,794,500	10	27,945	235,159
Ferozsons Laboratories Limited		182,500	10	1,825	109,183
First Capital Mutual Fund		7,670	10	77	-
Habib Metropolitan Bank Limited		6,525,500	10	65,255	223,724
Honda Atlas Cars (Pakistan) Limited		479,300	10	4,793	116,273
Hum Network Limited		13,848,500	10	138,485	225,280
IGI Insurance Limited		418,480	10	4,185	92,099
International Steels Limited		4,544,000	10	45,440	126,850
K-Electric Limited		49,644,000	10	496,440	451,345
Kohat Cement Company Limited		1,200	10	12	243
Kot Addu Power Company Limited		11,921,500	10	119,215	1,037,331
Maple Leaf Cement Factory Limited		1,670,500	10	16,705	119,220
Mehr Dastagir Textile Mills Limited		1,616,912	10	16,169	16,169
Murree Brewery Company Limited		3,650	10	37	435
National Bank of Pakistan		6,936,000	10	69,360	486,539
National Foods Limited		13,950	5	70	1,566
National Refinery Limited		165,900	10	1,659	34,992
Nestle Pakistan Limited		62	10	1	399
Next Capital Limited		1,950,000	10	19,500	19,500
Oil & Gas Development Company Limited		2,130,235	10	21,302	462,277
Pak Elektron Limited		5,648,000	10	56,480	478,928
Pakcem Limited		9,026,500	10	90,265	165,090
Packages Limited		661,300	10	6,613	430,896
Pakistan International Bulk Terminal Limited		2,455,500	10	24,555	69,139
Pakistan National Shipping Corporation		1,645,200	10	16,452	144,608
Pakistan Oilfields Limited		1,742,895	10	17,429	664,027
Pakistan Petroleum Limited		2,184,718	10	21,847	467,345
Pakistan State Oil Company Limited		1,053,300	10	10,533	361,838
Pakistan Reinsurance Company Limited		5,593,000	10	55,930	201,275
Pakistan Telecommunication Company Limited		16,165,000	10	161,650	360,586
PICIC Investment Fund		18,498,500	10	184,985	264,880
Pioneer Cement Limited		2,266,000	10	22,660	199,917
Rafhan Maize Products Limited		50,507	10	505	425,946
Saif Power Limited		14,010,500	10	140,105	502,169
Siemens Pakistan Engineering Company Limited		11,280	10	113	13,412
Sui Northern Gas Pipelines Limited		42,194,789	10	421,948	1,687,930
Treet Corporation Limited		2,334,500	10	23,345	169,152
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Food Pakistan Limited		867	10	9	1,364
United Bank Limited		3,820,907	10	38,209	549,346
Zulfqar Industries Limited		35,117	10	351	3,556
Carrying value before revaluation & provision					17,357,412
Provision for diminution in value of investments					(2,352,291)
Surplus on revaluation of securities					337,549
Market value as at December 31, 2015					15,342,670

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/ nominal value (Rupees in '000)	Cost as at December 31, 2015
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	1,244,827	100	124,483	93,212
Carrying value before revaluation & provision					309,365
Provision for diminution in value of investments					(1,907)
Surplus on revaluation of securities					222,390
Market value as at December 31, 2015					529,848

1.1 These are redeemable after the end of the fourth year from June 2005 at the option of the issuer either in whole or multiples of 10% of outstanding issue at a price of Rs. 10 per share plus any accumulated preference dividend. Dividend rate is 6 months KIBOR + 200 bps per annum.

1.2 Particulars of Investments in listed companies Held for trading
Listed Company

	Number of shares	Paid-up value per share (Rupees)	Total paid up/ nominal value (Rupees in '000)	Cost as at December 31, 2015
Attock Refinery Limited	48,000	10	480	9,892
The Bank of Punjab	2,000,000	10	20,000	18,832
Engro Corporation Limited	45,000	10	450	12,472
Engro Foods Limited	42,500	10	425	6,269
Hum Network Limited	24,500	10	245	381
International Steel Limited	887,000	10	8,870	23,945
K-Electric Limited	7,336,500	10	73,365	55,794
Pakistan State Oil Corporation Limited	90,900	10	909	30,669
				158,254

	Number of units	Paid-up value per units (Rupees)	Total paid up/ nominal value (Rupees in '000)	Cost as at December 31, 2015
MCB Cash Management Optimizer	100,893	100	10,089	10,356
MCB Pakistan Asset Allocation Fund	967,281	100	96,728	75,342
MCB Pakistan Sovereign Fund	6,069,158	50	303,458	330,061
				415,759

Annexure - I

2. Particulars of Investment held in unlisted companies-available for sale

Company Name	Percentage of holding (%)	Number of shares / certificates held	Cost as at December 31, 2015	Net Asset Value of total investment	Based on audited financial statements as at	Name of Chief Executive
(Rupees in '000)						
Shareholding more than 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
Pak Asian Fund Limited	10.22%	1,150,000	11,500	19,973	June 30, 2015	Mr. Ashfaq A. Berdi
Central Depository Company of Pakistan Limited	10.00%	6,500,000	10,000	210,627	June 30, 2015	Mr. Mohammad Hanif Jakhura
			21,500			
Shareholding upto 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
First Capital Investment Limited		275,000	2,500	3,678	June 30, 2015	Mr. Shahzad Jawahar
First Women Bank Limited		23,095,324	63,300	218,335	September 30, 2015	Ms. Tahira Raza
National Institute of Facilitation Technology Private Limited		2,266,607	1,526	80,566	June 30, 2015	Mr. Haider Wahab
National Investment Trust Limited		79,200	100	695,292	June 30, 2015	Mr. Shahid Ghaffar
SME Bank Limited		1,490,619	10,106	2,771	September 30, 2015	Mr. Ihsan ul haq Khan
Islamabad Stock Exchange Limited		3,034,603	30,346	33,132	September 30, 2015	Mr. Mian Ayyaz Afzal
Society for Worldwide Inter Fund Transfer (SWIFT)		18	1,738	6,079	December 31, 2014	Mr. Gottfried Leibbrandt
Credit Information Bureau of Srilanka		300	22	23,325	December 31, 2014	Mr. Gamini Karunaratne
Lanka Clear (Private) Limited		100,000	727	5,726	March 31, 2015	Mr. Channa De Silva
Lanka Financial Services Bureau Limited		100,000	727	754	March 31, 2015	Mr. Mihindu Rajaratne
Pakistan Agro Storage and Services corporation		2,500	2,500	338,451	March 31, 2015	Capt (R) Tariq Masud
Arabian Sea Country Club*		500,000	5,000	-	-	-
Al-Ameen Textile Mills Limited.*		19,700	197	-	-	-
Ayaz Textile Mills Limited.*		225,250	2,252	-	-	-
Custodian Management Services*		100,000	1,000	-	-	-
Musarrat Textile Mills Limited.*		3,604,500	36,045	-	-	-
Sadiqabad Textile Mills Limited.*		2,636,100	26,362	-	-	-
			184,448			
Cost of unlisted shares/ certificates/ units			205,948			
Provision against unlisted shares			(78,191)			
Carrying value of unlisted shares/ certificates/ units			127,757			

* These are fully provided unlisted shares.

Annexure - I

3. Particulars of investments in Term Finance Certificates and Sukuk Bonds- (refer note 9)

Investee	Number of certificates held	Paid up value per certificate	Total Paid up Value (before redemption)	Profit	Principal Redemption	Balance as at December 31, 2015	Name of Chief Executive
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.	498,800	Mr. Atif Bajwa
Carrying value before revaluation						498,800	
Surplus on revaluation of securities						7,845	
Market value of listed TFCs (revalued amount)						506,645	
SUKUK BONDS - available for sale	Terms of Redemption			Rate of Interest	Currency		
	Principal	Interest					
Government of Pakistan Ijara Sukuks	At maturity	Half-yearly		Cut off yield of 6MT-Bills minus 200 bps	PKR	1,874,602	
WAPDA Bonds - Sukuk III	At maturity	Half-yearly		6M KIBOR plus 100bps	PKR	72,032	
Deficit on revaluation of securities						1,946,634 (8,679)	
Market value of Sukuk bonds						1,937,955	

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, 2015	Name of Chief Executive
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	481,728	Mr. Atif Bajwa
Bank Al Habib Limited - issue no. IV	20,000	5,000	100,000,000	Payable six monthly at 15.00% p.a. for first 5 years and 15.50% p.a. for next 5 years	6th - 108th month: 0.36%; 114th and 120th month: 49.82% each	99,820	Mr. Abbas D. Habib
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.	599,760	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.	299,820	Mr. Atif R. Bokhari
Azgard Nine Limited	13,878	5,000	69,390,000	NIL	In 7 semi-annual installments starting from 24th month	69,390	Mr. Ahmed Shaikh
Habib Bank Limited	300,000	5,000	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.	1,500,000	Mr. Nauman K. Dar
Pakistan Mobile Communication Limited	200,000	5,000	1,000,000,000	3 month KIBOR +2.00% p.a.	In 17 equal quarterly installments starting from 12th month after first disbursement and subsequently every three months.	235,294	Mr. Jeffery Hedberg
Carrying value of TFCs - HTM						3,285,812	

The above excludes unlisted term finance certificates, debentures, bonds and participation term certificates of companies which are fully provided for in these financial statements.

Annexure - I

4. Details of Bonds, Debentures and Federal Government Securities (refer note 9) - held to maturity

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency Amount ('000)	Carrying value as at December 31, 2015 (Rupees in '000)
	Principal	Interest				
Debentures						
Bank of Ceylon	At maturity	Half-yearly	Weighted Average Six Month T Bill Rate (Before Tax) + 0.75 %	LKR	250,000	181,775
Bank of Ceylon	At maturity	Half-yearly	6 Month Gross T Bill Rate + 1.25%	LKR	350,000	254,485
Sampath Bank	At maturity	Half-yearly	13.40%	LKR	64,610	46,978
NDB Bank	At maturity	Half-yearly	13.40%	LKR	62,760	45,633
NDB Bank	At maturity	Half-yearly	9.40%	LKR	180,000	130,878
Richard Pieris & Company PLC	At maturity	Half-yearly	10.75%	LKR	43,500	31,629
Siyapatha Finance Limited	At maturity	Half-yearly	8.90%	LKR	100,000	72,710
						764,088
Development Bonds						
Government of Sri Lanka	At maturity	Half-yearly	6 Month LIBOR + 400 BP	LKR	3,036,535	2,207,865
Sukuk Bonds						
Maple Leaf Cement Factory Limited Sukuk Bonds	In 8 unequal semi-annual installments.	Half-yearly	6 Month KIBOR+1.70%	PKR	-	125,766
Quetta Textile Mills Limited Sukuk Bonds	In 12 equal semi-annual installments.	Half-yearly	6 Month KIBOR+1.50%	PKR	-	37,241
K - Electric Limited- Sukuk Bonds	In 20 equal payments, on quarterly basis starting from 27th month.	Quarterly	3M KIBOR+1%	PKR	-	1,150,000
					-	1,313,007
Euro Bonds						
Islamic Republic of Pakistan- 2016 - Eurobond	At maturity	Half-yearly	7.125%	US\$	1,986	208,016
Islamic Republic of Pakistan- 2017 - Eurobond	At maturity	Half-yearly	6.875%	US\$	21,255	2,226,270
Islamic Republic of Pakistan- 2025 - Eurobond	At maturity	Half-yearly	8.250%	US\$	3,087	323,342
						2,757,628
Certificates of Deposits						
Central Bank of UAE	At maturity	At maturity	0.24%	AED	33,000	941,031
Certificates of Investments						
Mashreq Bank Dubai	At maturity	At maturity	0.80%	AED	10,000	285,161

5. Summarized financial information of associated undertakings (refer note 9)

The gross amount of assets, liabilities, revenue, profit and net assets of associated undertakings are as follows:

Name of associated undertaking	Country of incorporation	Assets	Liabilities	Net assets	Revenue	Profit / (loss) after tax	% of interest held
		(Rupees in '000)					
2015							
Euronet Pakistan (Private) Limited (unaudited 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	29.13%
2014							
Euronet Pakistan (Private) Limited (audited based on December 31, 2014)	Pakistan	252,856	39,200	213,656	258,208	2,240	30.00%
Adamjee Insurance Company Limited (unaudited based on September 30, 2014)	Pakistan	29,831,228	16,202,619	13,628,609	4,613,013*	1,388,740	29.13%

* Represents net premium revenue

Annexure - II

Disposal of operating fixed assets (refer note 11.2.3)

Description	Original 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 and office equipment							
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000							
	9,344	8,738	606	639	Claim	Adamjee Insurance Comp	Karachi
	4,548	4,546	2	69	Auction/Quotation	Adeel Steel Traders	Multan
	80,685	80,685	-	4,424	Trade Off	Innovative	Karachi
	32,045	32,044	1	198	Auction/Quotation	Abdul Razak & Bro Kabaria	Lahore
	2,356	1,508	848	337	Auction/Quotation	M.Umer Battery Serv	Karachi
	1,522	1,522	-	13	Auction/Quotation	Rehan Nilaam Ghur	Multan
	1,631	1,598	33	235	Auction/Quotation	Chill Services	Lahore
	18,490	17,867	623	650	Auction/Quotation	Apollo	Karachi
	4,936	4,936	-	16	Auction/Quotation	7Cs Airconditioning	Karachi
	2,793	2,793	-	13	Auction/Quotation	Aamir Brothers	Karachi
	1,171	1,171	-	8	Auction/Quotation	Abideen Khan	Peshawar
	1,110	1,110	-	3	Auction/Quotation	Adnan Scrap Dealer	Karachi
	2,050	2,050	-	14	Auction/Quotation	Afzal Hussain Scrap Deale	Jhelum
	2,703	2,703	-	9	Auction/Quotation	Al Karimi Enterprises	Karachi
	1,066	1,066	-	2	Auction/Quotation	Al Moiz Kabaria	Karachi
	1,018	1,018	-	4	Auction/Quotation	Al-Ahad Super Store	Multan
	1,403	1,403	-	6	Auction/Quotation	Al-Farooq Enterprises	Karachi
	13,603	13,603	-	12	Auction/Quotation	Ali Kabaria	Lahore
	1,360	1,360	-	5	Auction/Quotation	Al-Makkah	Sargodha
	1,092	1,092	-	7	Auction/Quotation	Al-Shahbaz Traders	Sargodha
	1,678	1,678	-	12	Auction/Quotation	Altaf Hussain & Brothers	Karachi
	1,065	1,065	-	7	Auction/Quotation	Ameer Enterprises	Sargodha
	1,279	1,279	-	5	Auction/Quotation	Amjad Ali	Sargodha
	1,069	1,069	-	54	Auction/Quotation	Amjid Refrigeration	Peshawar
	1,687	1,687	-	6	Auction/Quotation	Aqeel Furniture Mart	Karachi
	1,026	1,026	-	1	Auction/Quotation	Arjun & Brothers	Karachi
	3,138	3,138	-	5	Auction/Quotation	Aslam Steel	Karachi
	10,293	10,293	-	15	Auction/Quotation	Ath Bright Contractor	Quetta
	1,325	1,325	-	17	Auction/Quotation	Awrish Builders	Peshawar
	1,853	1,853	-	58	Auction/Quotation	Baber Scrap Dealer	Jhelum
	1,972	1,972	-	1	Auction/Quotation	Baboo Scrap Store	Sukkur
	1,488	1,488	-	23	Auction/Quotation	Basharat Traders	Islamabad
	4,238	4,238	-	9	Auction/Quotation	Bilal Enterprises	Karachi
	11,027	11,027	-	41	Auction/Quotation	Bismillah Airconditioning	Multan
	5,725	5,724	1	27	Auction/Quotation	Bismillah Loha Scrap	Karachi
	1,363	1,363	-	8	Auction/Quotation	China Furniture House	Multan
	1,518	1,518	-	10	Auction/Quotation	Cigarette House	Sargodha
	1,486	1,486	-	13	Auction/Quotation	Cool Zone	Karachi
	1,590	1,590	-	2	Auction/Quotation	Dani Old Furniture	Jhelum
	1,920	1,920	-	10	Auction/Quotation	Fine Furniture Mart	Sargodha
	2,005	2,005	-	26	Auction/Quotation	Ghulam Dastager Scrape	Karachi
	1,061	1,061	-	8	Auction/Quotation	Ghulam Fareed	Sargodha
	7,037	7,037	-	7	Auction/Quotation	Ghulam Mustafa & Co.	Karachi
	1,486	1,486	-	50	Auction/Quotation	Hafiz Brothers	Lahore
	1,215	1,215	-	2	Auction/Quotation	Hameed Nawaz	Sargodha
	1,622	1,622	-	2	Auction/Quotation	Hammad Ali Scrap Works	Karachi
	2,444	2,444	-	23	Auction/Quotation	Haris Furnishers	Sukkur
	8,558	8,558	-	35	Auction/Quotation	Imran Electronics	Lahore
	17,043	17,042	1	47	Auction/Quotation	Imran Kabaria	Lahore
	3,275	3,275	-	10	Auction/Quotation	Infortech Computer	Peshawar
	1,748	1,748	-	9	Auction/Quotation	Islamabad Nilam Hou	Islamabad
	7,024	7,023	1	51	Auction/Quotation	Jamal & Brother Kabari	Quetta
	2,158	2,158	-	27	Auction/Quotation	Jm Trading Corporation	Karachi
	4,717	4,717	-	36	Auction/Quotation	Kashif Autos	Sargodha
	1,769	1,769	-	2	Auction/Quotation	Khalid Latif Kabaria	Bahawalpur
	1,520	1,520	-	21	Auction/Quotation	Khyber Cables	Peshawar
	4,213	4,213	-	55	Auction/Quotation	M Ahsan & Brother	Karachi
	35,517	35,515	2	428	Auction/Quotation	M Javed Qazi	Hyderabad
	11,578	11,577	1	60	Auction/Quotation	M Rafiq Kabaria	Lahore
	1,165	1,165	-	1	Auction/Quotation	M. Iqbal & Son	Faisalabad
	1,540	1,540	-	30	Auction/Quotation	M. Javed Scrap Dealer	Bahawalpur
	1,039	1,039	-	5	Auction/Quotation	M.Ali	Karachi
	1,189	1,189	-	6	Auction/Quotation	M.Irfan	Bahawalpur
	2,455	2,455	-	10	Auction/Quotation	M/S Askari Electronics	Karachi

Annexure - II

Description	Original Cost	Accumulated depreciation	Book value (Rupees in '000)	Sales proceeds /insurance claim	Mode of disposal /settlement	Particulars of buyers	Location
	1,096	1,096	-	6	Auction/Quotation	Maalik & Malik	Karachi
	1,215	1,215	-	15	Auction/Quotation	Madina Cooling	Lahore
	1,205	1,205	-	4	Auction/Quotation	Madni Cooling Center	Bahawalpur
	4,138	4,138	-	80	Auction/Quotation	Mahmand Scrap Dealer	Islamabad
	7,213	7,213	-	7	Auction/Quotation	Malir Scrap Workshop	Karachi
	2,135	2,135	-	16	Auction/Quotation	Maqbool Sons	Karachi
	1,603	1,603	-	10	Auction/Quotation	Mashallah Traders	Faisalabad
	2,512	2,512	-	39	Auction/Quotation	Mehar Brothers	Faisalabad
	4,372	4,308	64	205	Auction/Quotation	Mian Usman & Co	Lahore
	2,790	2,790	-	16	Auction/Quotation	Mughal & Sons	Islamabad
	5,097	5,096	1	15	Auction/Quotation	Muhammad Ramzan	Sargodha
	1,226	1,226	-	4	Auction/Quotation	Muhammad Shoab	Sargodha
	7,036	7,036	-	37	Auction/Quotation	Musaddiq Computer Scra	Karachi
	19,416	19,415	1	19	Auction/Quotation	Mushtaq Ahmad	Karachi
	1,408	1,408	-	18	Auction/Quotation	Mushtaq Scrap Deal	Peshawar
	1,288	1,288	-	3	Auction/Quotation	Noman Enterprises	Sargodha
	1,668	1,668	-	2	Auction/Quotation	Parvez Khan	Karachi
	2,310	2,310	-	6	Auction/Quotation	Qari Kabari Wala	Karachi
	1,890	1,890	-	3	Auction/Quotation	Quetta Kabari	Quetta
	1,043	1,043	-	14	Auction/Quotation	Rakay Electro Services	Karachi
	1,090	1,090	-	7	Auction/Quotation	Rayaz Electric Store	Sargodha
	1,100	1,099	1	6	Auction/Quotation	Sabir	Karachi
	2,849	2,849	-	6	Auction/Quotation	Sadakat Ali Traders	Peshawar
	2,459	2,459	-	4	Auction/Quotation	Saif Kabaria	Lahore
	1,410	1,410	-	15	Auction/Quotation	Sajjad Cooling Center	Islamabad
	2,961	2,565	396	1,439	Auction/Quotation	Sakhi Lal Traders	Lahore
	1,016	1,016	-	4	Auction/Quotation	Sarfaz & Brothers	Lahore
	1,559	1,559	-	9	Auction/Quotation	Shafqat Ali	Lahore
	1,245	1,245	-	11	Auction/Quotation	Shah Mohammad Godow	Lahore
	3,029	3,029	-	6	Auction/Quotation	Shahid Kabar House	Lahore
	1,276	1,276	-	1	Auction/Quotation	Sun Cool	Lahore
	1,612	1,612	-	6	Auction/Quotation	Sun Rise Electric Centre	Lahore
	1,101	1,101	-	4	Auction/Quotation	Tabbasum Ali	Lahore
	13,196	13,195	1	21	Auction/Quotation	Tajwani Enterprises	Lahore
	11,289	11,288	1	20	Auction/Quotation	Umair Kabaira	Lahore
	1,066	1,066	-	30	Auction/Quotation	Umer Farooq Steel Works	Lahore
	1,118	1,118	-	1	Auction/Quotation	Umer Kabariya	Lahore
	2,280	2,279	1	29	Auction/Quotation	Uni Plus	Lahore
	1,882	1,882	-	3	Auction/Quotation	Wali Brothers	Lahore
	1,521	1,521	-	3	Auction/Quotation	Waqar Hussain & Co	Lahore
	2,015	2,015	-	3	Auction/Quotation	Waqas Naqash Kabaria	Lahore
	1,137	1,137	-	7	Auction/Quotation	Younus Kabari	Lahore
	3,739	3,739	-	57	Auction/Quotation	Zafar Sattar Kabaria	Lahore
	1,087	1,087	-	40	Auction/Quotation	Zahid Arki Press	Lahore
	1,453	1,453	-	13	Auction/Quotation	Zaka Ullah Khan	Lahore
	1,379	1,379	-	7	Auction/Quotation	Zeenat Furniture	Lahore
	1,799	1,799	-	20	Auction/Quotation	Azmat Ali Hardware	Lahore
	32,676	32,648	28	230	Auction/Quotation	Abdul Razak & Bro Kabaria	Lahore
	41,259	41,258	1	181	Auction/Quotation	Capital Nelaam Ghar	Karachi
	577,308	574,694	2,614	10,641			

Items having book value of less than

Rs. 250,000 or cost of less than Rs. 1,000,000

261,434 **260,253** **1,181** **5,966**

Auction/Quotation

Different Buyers

All Pakistan

Vehicles

Honda Civic	2,410	1,928	482	1,077	Auction	Muhammad Arif	Karachi
Toyota Hilux	2,260	1,808	452	1,089	Auction	Islam Sarwar	Karachi
Honda Civic	1,842	1,474	368	1,285	Auction	Rubina Kamran	Lahore
Toyota Corolla	1,727	507	1,220	1,575	Claim	M/S Adam Jee Insurance	Karachi
Toyota Corolla	1,445	1,156	289	977	Auction	M Awais	Lahore
Toyota Corolla	1,445	1,156	289	1,055	Auction	Asad Sakhawat	Lahore
Toyota Corolla	1,414	1,132	282	1,072	Auction	Khurram Ayub	Lahore
Toyota Corolla	1,389	1,111	278	1,016	Auction	Zahid Qadri	Karachi
Toyota Corolla	1,389	1,111	278	1,013	Auction	Salman Zafar	Karachi
Toyota Corolla	1,389	1,111	278	939	Auction	Mr. Nasir Khan	Lahore
Toyota Corolla	1,383	1,106	277	1,120	Auction	Rubina Kamran	Lahore
Toyota Corolla	1,014	811	203	923	Auction	Khurram Imtiaz	Lahore
Suzuki WPKH 5925	1,968	1,889	79	1,143	Tender	Mitithota Hewage Niroshan Iwantha Simal	Maharagama
Suzuki WPKH 5460	1,931	1,854	77	1,140	Tender	Mitithota Hewage Niroshan Iwantha Simal	Maharagama
Hero Honda MO-B 159-1595	59	59	-	4	Tender	Herath Mudiyansele Gunadasa	Pannipitiya
Mercedes Benz 280 Sedan - Dimo	16,625	16,625	-	3,602	Tender	Holupathirage Rukmani Ann Caldera	Nugegoda
	39,690	34,838	4,852	19,030			

Annexure - II

Description	Original Cost	Accumulated depreciation	Book value	Sales proceeds /insurance claim	Mode of disposal /settlement	Particulars of buyers	Location
	(Rupees in '000)						
Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	72,415	58,115	14,300	48,372			
Land/Buildings							
Cosmopolitan Society	1,856	1,260	596	45,540	Sale	Abdul Rauf	Karachi
Sheikhupura Main	1,684	239	1,445	29,052	Claim/Compensation	Lahore Development Authority	Lahore
	3,540	1,499	2,041	74,592			
Car Ijarah							
Honda Civic	2,595	388	2,207	2,150	Claim from insurance company	Pak Kuwait Takaful	Lahore
Toyota Corolla GLI	2,035	267	1,768	1,742	Claim from insurance company	Pak Qatar Takaful Company	Lahore
Toyota Corolla Altis 1.8	2,076	100	1,976	1,636	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis 1.8	2,077	148	1,929	1,906	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota 4X4	6,214	5,314	900	900	Purchased By Lessee	Indus Sugar Mills Limited	Lahore
Suzuki Bolan	609	384	225	225	Purchased By Lessee	Muhammad younas	Lahore
Daihatsu Coure	740	482	258	258	Purchased By Lessee	Nawab Ali	Hyderabad
Toyota GLI	1,430	1,015	415	415	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	902	651	251	290	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Swift	1,003	753	250	362	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Swift	1,003	753	250	333	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Swift	1,003	753	250	333	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Swift	940	678	262	302	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Swift	1,042	753	289	333	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	924	668	256	320	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	924	668	256	320	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	924	668	256	320	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	945	668	277	320	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	940	664	276	318	Purchased By Lessee	Interloop Limited	Faisalabad
Honda City	1,416	1,045	371	425	Purchased By Lessee	Interloop Limited	Faisalabad
Suzuki-Cultus	929	685	244	301	Purchased By Lessee	Interloop Limited	Faisalabad
Toyota Corolla GLI	1,744	1,321	423	422	Purchased By Lessee	Jahazaib Khan Banth	Faisalabad
Suzuki-Swift	1,215	604	611	688	Purchased By Lessee	Interloop Limited	Faisalabad
Toyota Corolla Gii	1,265	1,076	189	189	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Mercedes Benz C-180	4,093	3,493	600	600	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Mercedes Benz C-180	4,098	3,498	600	600	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Altis A/T	1,422	1,209	213	213	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Altis	1,422	1,209	213	213	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	1,113	196	196	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Altis A/T	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Xii	1,205	1,025	180	180	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Xii	1,107	942	165	165	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Xii	1,253	1,066	187	188	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Land Cruiser Prado	7,205	6,225	980	980	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis AT	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Xii	1,107	942	165	165	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gii	1,303	1,108	195	195	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gii	1,303	1,108	195	195	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis A/T SR	1,444	1,092	352	375	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,354	768	586	648	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gii	1,749	747	1,002	1,071	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis AT/SR	2,181	653	1,528	1,588	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,354	1,024	330	352	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Vigo Champ M/T 4x4 D/C 520 W	3,593	1,037	2,556	2,593	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	1,020	289	304	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,173	954	1,219	1,361	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,354	1,152	202	203	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Altis A/T	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gii	1,749	847	902	976	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Honda City i-VTEC	1,706	681	1,025	1,086	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,173	991	1,182	1,278	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Mercedes E200 CGI Blue Efficiency	9,251	3,551	5,700	6,129	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Vigo Champ	4,002	1,659	2,343	2,464	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	2,175	1,084	1,091	1,186	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Fortuner WIT ECT-Automatic	6,172	2,034	4,138	4,193	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	1,733	982	751	821	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis A/T	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gii	1,749	747	1,002	1,073	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis A/T	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	1,113	196	196	Terminated at Maturity	Pakistan Tobacco Company	Islamabad

Annexure - II

Description	Original Cost	Accumulated depreciation	Book value	Sales proceeds /insurance claim	Mode of disposal /settlement	Particulars of buyers	Location
Toyota Corolla Altis 1.8	2,083	305	1,778	1,784	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gli	1,749	738	1,011	1,073	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis 1.8	2,083	305	1,778	1,784	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Fortuner WIT ECT-Automatic	5,586	2,163	3,423	3,508	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Toyota Camry	3,605	3,065	540	540	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Hilux Pickup Double Cabin 4x4	2,435	2,071	364	364	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla (GLI)	1,353	1,151	202	202	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	1,399	1,190	209	209	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis A/T SR	1,444	1,228	216	216	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Gli	1,354	1,151	203	203	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla XLI	1,310	1,114	196	196	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla(XLI)	1,255	1,067	188	188	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	1,082	227	227	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,354	1,151	203	203	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Hiace (Dual AC)	2,435	2,071	364	364	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,309	1,113	196	196	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis 1.8	2,083	326	1,757	1,771	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis 1.8	2,076	324	1,752	1,775	Claim from insurance company	Pakistan Tobacco Company	Islamabad
Toyota Corolla GLI	1,197	1,038	159	159	Terminated at Maturity	Pakistan Tobacco Company	Islamabad
Toyota Corolla Altis	1,579	1,091	488	548	Purchased By Lessee	Pakistan Tobacco Company	Islamabad
Hino Trucks	6,275	1,412	4,863	4,913	Purchased By Lessee	Allied Rental	Karachi
Honda Civic Oriel Model 2013	2,552	902	1,650	1,753	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cultus Euro II	1,054	902	152	188	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cultus Euro II	1,054	902	152	202	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cultus Euro II	1,054	635	419	461	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cultus Euro II	1,072	902	170	184	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cultus Euro II	1,069	902	167	204	Purchased By Lessee	Foundation Security	Karachi
Toyota Corolla GLI Model 2013	1,787	902	885	942	Purchased By Lessee	Foundation Security	Karachi
Suzuki Cultus Euro II	1,052	902	150	184	Purchased By Lessee	Foundation Security	Karachi
Master Fuso Canter Trucks	2,275	1,365	910	910	Purchased By Lessee	Allied Rental	Karachi
Suzuki Cultus	1,049	248	801	871	Purchased By Lessee	Yasir Manzoor	Gujrnanwala
	176,538	105,248	71,290	73,962			
Equipment Ijarah							
Cages	20,242	17,798	2,444	2,444	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	11,161	8,371	2,790	2,790	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	11,161	8,371	2,790	2,790	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	12,112	10,901	1,211	1,211	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	11,921	10,729	1,192	1,192	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	36,895	33,202	3,693	3,693	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
Cages	10,967	9,870	1,097	1,097	Purchased by Customer	Big Bird Foods Pvt Ltd.	Lahore
	114,459	99,242	15,217	15,217			
2015	1,245,384	1,133,889	111,495	247,780			
2014	323,563	247,180	76,383	107,434			

Annexure - III

Summarized detail of the valuation of owned properties (refer note 11.2.1)

City	Land	Building	Total
		(Rupees in '000)	
Abbottabad	22,000	19,856	41,856
Bahawalpur	78,012	24,445	102,457
Chakwal	2,000	1,920	3,920
Dera Ghazi Khan	18,450	20,000	38,450
Faisalabad	812,308	223,618	1,035,926
Gawadar	1,900	9,000	10,900
Gujranwala	221,044	172,238	393,282
Gujrat	78,500	42,216	120,716
Hafizabad	27,000	14,782	41,782
Haripur	28,453	2,958	31,411
Haroonabad	20,000	5,240	25,240
Hyderabad	185,498	87,118	272,616
Islamabad	1,317,210	416,652	1,733,862
Jhang	124,110	30,715	154,825
Jhelum	55,000	32,817	87,817
Karachi	4,607,853	2,966,223	7,574,076
Kasur	16,380	2,390	18,770
Khairpur	1,442	3,183	4,625
Khanewal	13,500	2,800	16,300
Khanpur	24,040	14,420	38,460
Kohat	4,650	-	4,650
Lahore	4,972,779	2,305,651	7,278,430
Larkana	47,735	13,601	61,336
Mianwali	19,125	35,443	54,568
Mirpurkhas	11,040	3,726	14,766
Multan	139,600	332,878	472,478
Muridke	45,000	25,453	70,453
Murree	15,000	991	15,991
Muzaffarabad	128,373	52,979	181,352
Nawabshah	18,270	10,339	28,609
Okara	26,275	12,524	38,799
Peshawar	114,375	16,726	131,101
Quetta	284,696	59,803	344,499
Rahim Yar Khan	9,915	5,740	15,655
Rawalpindi	448,536	168,514	617,050
Sadiqabad	26,667	4,842	31,509
Sahiwal	52,094	13,826	65,920
Sargodha	140,986	20,825	161,811
Sheikhupura	32,903	7,704	40,607
Sialkot	94,000	20,895	114,895
Sukkur	48,288	16,656	64,944
Swat	56,500	6,715	63,215
Vehari	11,000	7,330	18,330
Wazirabad	15,000	7,274	22,274
Overseas	-	82,648	82,648
Karachi - (subsidiary company)	-	72,698	72,698
Grand total	14,417,507	7,398,372	21,815,879

Branch Network

As of December 31, 2015

Retail Banking Group - South

Circle / No. of Branches	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	-
	06.	Karachi West	21	-
4. HYDERABAD 70	07.	Hyderabad	38	-
	08.	Nawabshah	32	-
5. QUETTA 43	09.	Makran	11	-
	10.	Quetta	32	-
TOTAL RBG - SOUTH			242	-

*EPZ not included

Retail Banking Group - East

1. BAHAWALPUR 91	01.	Bahawalpur	34	-
	02.	Rahim Yar Khan	29	-
	03.	Vehari	28	-
2. MULTAN 105	04.	Dera Ghazi Khan	33	-
	05.	Multan	34	-
	06.	Sahiwal	38	-
SUKKUR 68	07.	Larkana	34	-
	08.	Sukkur	34	-
TOTAL RBG - EAST			264	-

Retail Banking Group - Central

1. LAHORE WEST 49	Lahore Central	24	-	
	Lahore City	25	-	
2. LAHORE EAST 51	Lahore East	29	-	
	Lahore West	22	-	
3. FAISALABAD 102	Faisalabad	37	-	
	Faisalabad City	37	1	
	Sheikhupura	28	-	
4. GUJRANWALA 97	Gujranwala	28	1	
	Gujrat	36	1	
	Sialkot	33	-	
5. SARGODHA 94	Jhang	31	1	
	Mianwali	30	-	
	Sargodha	33	-	
TOTAL RBG - CENTRAL			393	04

Retail Banking Group - North

1. ISLAMABAD 58	Islamabad	29	-	
	Rawalpindi	29	1	
2. JHELUM 84	Chakwal	28	-	
	Jhelum	24	-	
	Muzaffarabad A.K.	32	-	
3. PESHAWAR 76	Kohat	24	-	
	Mardan	26	1	
	Peshawar	26	1	
4. ABBOTTABAD 76	Abbottabad	27	-	
	Attock	31	1	
	Swat	18	-	
TOTAL RBG - NORTH			294	04

Branch Network

As of December 31, 2015

	No. of Branches
Privilege Banking	09
Corporate Finance Banking Branches	10
Islamic Banking	34

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	242	-
RBG-East	3	8	264	-
RBG-Central	5	13	393	4
RBG-North	4	11	294	4
Privilege Banking	-	-	9	-
Corporate Finance Banking	4	6	10	-
Islamic Banking	-	-	34	-
Total	21	48	1,246	8
Overseas	-	-	10	-
EPZ	-	-	1	-
Grand Total	21	48	1,257	8

PROVINCE-WISE

Provinces/Territories/AJK	Branches	Sub-Brs.	Total
Azad Jammu & Kashmir	28	-	28
Balochistan	45	-	45
Federal Capital Territory	28	1	29
Federally Administered Tribal Areas (FATA)	6	-	6
Gilgit-Baltistan	4	-	4
Khyber Pakhtunkhwa	118	2	120
Punjab	734	5	739
Sindh	283	-	283
Domestic Total	1,246	8	1,254
Overseas	10	-	10
EPZ	1	-	1
Grand Total	1,257	8	1,265

Pattern of Shareholding

As of December 31, 2015

No. of Shareholders	Having Shares		No. of Shares	Percentage
	From	To		
14,718	1	100	604,208	0.0543%
12,102	101	500	2,979,310	0.2677%
5,524	501	1,000	4,092,284	0.3677%
7,707	1,001	5,000	13,026,103	1.1703%
301	5,001	10,000	2,169,253	0.1949%
208	10,001	50,000	4,267,509	0.3834%
55	50,001	100,000	4,011,017	0.3604%
67	100,001	500,000	14,860,322	1.3351%
37	500,001	1,000,000	27,255,469	2.4488%
51	1,000,001	5,000,000	124,411,611	11.1777%
6	5,000,001	10,000,000	39,660,158	3.5633%
3	10,000,001	15,000,000	38,759,087	3.4823%
4	15,000,001	25,000,000	72,910,696	6.5506%
12	25,000,001	Above	764,023,721	68.6435%
40,795			1,113,030,748	100.0000%

Categories of Shareholders

As of December 31, 2015

Particulars	No. of Shareholders	Balance Shares	Percentage
Directors, CEO, Spouse(s) & Minor Children	17	119,705,756	10.7549%
Associated Companies	6	245,627,405	22.0683%
NIT & ICP	2	144,459	0.0130%
Banks, DFI & NBF	24	4,785,446	0.4299%
Insurance Companies	10	71,877,756	6.4578%
Mutual Funds	29	4,715,773	0.4237%
Public Sector Cos. & Corp.	10	30,715,220	2.7596%
General Public (Local)	37,092	148,966,081	13.3838%
General Public (Foreign)	3,357	2,566,789	0.2306%
Foreign Companies	91	415,059,606	37.2909%
Others	152	68,861,998	6.1869%
Modarabas	5	4,459	0.0004%
Company Total	40,795	1,113,030,748	100.0000%

Pattern of Shareholding under Code of Corporate Governance

As of December 31, 2015

Associated Companies, Undertakings and Related Parties

Maybank International Trust (Labuan) Berhad	222,606,147
D. G. Khan Cement Company Limited	102,277,232
Nishat Mills Limited	84,014,991
Adamjee Insurance Company Limited	38,102,387
Trustee - MCB Provident Fund Pak Staff	33,966,060
Trustee - MCB Employees Pension Fund	17,474,622
Siddiqsons Limited	14,276,462
Din Leather (Pvt) Ltd	6,936,333
Nishat Mills Ltd. Employees Provident Fund Trust	8,284,390
Trustees D.G.Khan Cement Co. Ltd. Employees Provident Fund	266,200
Trustees of Adamjee Insurance Company Ltd. Employees Provident Fund	73,577
Nishat Paper Products Company Limited	20,000
Trustee, Nishat (Chunian) Limited Employees Provident Fund	8,857

Mutual Funds:

Safeway Fund (Pvt) Limited	1,651
Growth Mutual Fund Limited	303
Pak Asian Fund Limited	162
Prudential Stock Fund Limited	179
CDC - Trustee MCB Pakistan Stock Market Fund	275,000
CDC - Trustee Pakistan Capital Market Fund	2,200
CDC - Trustee PICIC Investment Fund	282,500
CDC - Trustee JS Large Cap. Fund	75,000
CDC - Trustee PICIC Growth Fund	531,300
CDC - Trustee Atlas Stock Market Fund	350,000
CDC - Trustee Alfalah GHP Value Fund	75,500
CDC - Trustee AKD Index Tracker Fund	83,228
TRI. Star Mutual Fund Limited	754
CDC - Trustee UBL Stock Advantage Fund	300,000
CDC - Trustee APF-Equity Sub Fund	20,000
CDC - Trustee HBL - Stock Fund	536,200
CDC - Trustee HBL Multi - Asset Fund	50,600
CDC - Trustee Alfalah GHP Stock Fund	216,200
CDC - Trustee Alfalah GHP Alpha Fund	105,000
CDC - Trustee NIT-Equity Market Opportunity Fund	667,676
CDC - Trustee ABL Stock Fund	352,000
CDC - Trustee First Habib Stock Fund	22,570
CDC - Trustee Lakson Equity Fund	535,150
CDC - Trustee PICIC Stock Fund	54,400
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	10,000
CDC - Trustee First Capital Mutual Fund	39,800
CDC - Trustee UBL Retirement Savings Fund - Equity Sub Fund	100,000
CDC - Trustee ABL Pension Fund - Equity Sub Fund	9,400
CDC - Trustee NIT PF Equity Sub-Fund	19,000

Pattern of Shareholding under Code of Corporate Governance

As of December 31, 2015

Directors, spouse(s) and minor children:

Mian Mohammad Mansha	7,834
Mrs. Naz Mansha	6,424,057
Mr. S. M. Muneer	2,059
Mrs. Saeeda Parveen	2,427,986
Mr. Tariq Rafi	32,008,864
Mrs. Nighat Tariq	5,715,093
Mr. Shahzad Saleem	902
Mr. Sarmad Amin	2,851
Mian Raza Mansha	12,661,685
Mrs. Ammil Raza	28,461,365
Mian Umer Mansha	31,986,378
Mr. Aftab Ahmad Khan	914
Mrs. Sajida Aftab	3,000
Mr. Ahmad Alman Aslam	665
Dato' Seri Ismail Shahudin	669
Mr. Muhammad Ali Zeb	550
Mr. Mohd Suhail Amar Suresh Bin Abdullah	884

Executives 89,855

Public Sector Companies and Corporations: 30,715,220

Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: 76,667,661

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	84,014,991

All trades in shares carried out by Directors, CEO, CFO, Company Secretary, Executives, their Spouse(s) and Minor Children during the year 2015 are given as under:

Name	Status	No. of Shares	Purchase / Sale/Transfer
Mrs. Sajida Aftab	Director's Spouse	3,000	Purchased
Mr. Muhammad Saleem Merchant	Executive	46	Purchased
Mr. Manoj Kumar Ahuja	Executive	3,542	Sold
Mr. Irshad Ahmad	Executive	180	Sold

Notice of 68th Annual General Meeting

Notice is hereby given that 68th Annual General Meeting of MCB Bank Limited ("the Bank") will be held at Pearl-Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, on Tuesday, March 29, 2016, at 11:00 AM to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Annual Audited Separate and Consolidated Financial Statements of the Bank together with the Directors' and Auditors' reports thereon for the year ended December 31, 2015.
2. To appoint statutory auditors of the Bank and fix their remuneration. The retiring auditors M/s A.F. Ferguson & Company, Chartered Accountants, have completed the period of five years; hence, are not eligible for re-appointment as provided in the Code of Corporate Governance. The Audit Committee has suggested the appointment of M/s KPMG Taseer Hadi & Company, Chartered Accountants, as auditors of the Bank. The Board of Directors, on the suggestion of Audit Committee, has recommended to the shareholders the appointment of M/s KPMG Taseer Hadi & Company, Chartered Accountants, being eligible, have consented to act as statutory auditors of the Bank for the year ending December 31, 2016. The Bank has also received a notice from one of its shareholders proposing the name of M/s KPMG Taseer Hadi & Company, Chartered Accountants, for appointment as auditors of the Bank in place of retiring auditors.
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, 2015.

Special Business:

4. To consider and, if deemed fit, pass the following resolutions as 'Special Resolutions' with or without modifications to approve alterations in the Articles of Association of the Bank in accordance with the provisions of Section 28 of the Companies Ordinance, 1984:

"RESOLVED THAT the following (Para 3) of Article 94 of the Articles of Association of the Bank be and is hereby deleted."

Para 3 of Article 94 of the Articles of Association:

Non-resident directors may be allowed reimbursement of traveling expenses for the spouse while accompanying for attending the Board's Meeting subject to a maximum limit of twice in a financial year, in addition to the cost of boarding and lodging payment/reimbursement to the Board's members in connection with attending the meetings."

"FURTHER RESOLVED THAT the Company Secretary and Chief Financial Officer be and are hereby jointly 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."

5. To consider and approve the alteration in the Object Clause to the Memorandum of Association of the Bank and pass the following resolutions as 'Special Resolutions', with or without modification, as required under Section 21 of the Companies Ordinance, 1984:

"RESOLVED THAT subject to fulfillment of all applicable regulatory requirements including approval of State Bank of Pakistan, approval of the members of the Bank be and is hereby accorded for the alteration in the Object Clause-3 of the Memorandum of Association of the Bank by insertion therein, the following new Sub-Clause numbered as follows:

- (q) *"providing support functions/services like human resource management, administration, accounting, information technology and other secretarial and general services to the subsidiary (ies) including premises of the bank for utilization by the subsidiary (ies)."*

"FURTHER RESOLVED THAT the existing Sub-Clauses "q", "r" and "s" to the Object Clause-3 of the Memorandum of Association of MCB Bank Limited be and are hereby renumbered "r", "s" and "t", respectively, by adding new

Notice of 68th Annual General Meeting

Sub-Clause (q).”

“RESOLVED FURTHER THAT the Company Secretary and Chief Financial Officer be and are hereby jointly authorized to undertake all such actions, execute all such documents and do all such things for and on behalf of the Bank, including completion of all regulatory requirements for alteration in the Memorandum of Association of the Bank, filing of all requisite returns with the Registrar of Companies and complying with all other legal requirements, so as to give effect to the resolutions as set out above.”

6. To consider and pass the following Ordinary Resolution as recommended by the Board of Directors of the Bank:

“RESOLVED THAT post facto approval be and is hereby accorded for the Chairman’s office premises situated at Lahore, Karachi and Islamabad as well as administrative expenses incurred or to be incurred, pertaining to these offices, staff and related facilities allocated to the Chairman of the Board of Directors of the Bank, in accordance with the provisions of BPRD Circular No. 09 of 2015, dated May 06, 2015.”

A Statement under Section 160(1)(b) of the Companies Ordinance, 1984 setting forth all material facts pertaining to the Special Business referred to above, is annexed to this Notice being sent to the members.

By Order of the Board,

-Sd-

FIDA ALI MIRZA

Company Secretary

March 07, 2016

Lahore

Notes:

1. The Shares Transfer Books of MCB Bank Limited (“the Bank”) will remain closed from March 21, 2016 to March 29, 2016 (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, 2016 will be treated as being in time for the purpose of the entitlement of cash dividend and for attending the meeting.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. A 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. CDC Accountholders will further have to follow the under mentioned guidelines as laid down by Circular No. 1, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

Notice of 68th Annual General Meeting

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 up-loaded 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 name, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original CNIC or passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form of the Bank.

SECP Circulars/Notifications:

The following Circulars/Notifications issued by the Securities and Exchange Commission of Pakistan (“SECP”) require special attention of the shareholders of the Bank.

1. Withholding of Payment of Dividend – CNIC Requirement:

MCB Bank Limited (“the Bank”), as directed by SECP, has withheld the payment of dividend in accordance with the provisions of Section 251 (2) of the Companies Ordinance, 1984, of those shareholders who have not yet provided their Computerized National Identity Card (“CNIC”) or Passport number to the Bank. Such shareholders are once again requested to provide a valid copy of their CNIC to the Share Registrar and Transfer Agent at the 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 is to be provided to: (i) in case of book-entry securities in Central Depository System (CDS), to CDS Participants; and (ii) in case of physical securities to our Share Registrar and Transfer Agent at below mentioned address. The Bank encourages the shareholders to take dividend mandate option for instant credit of dividends, eliminating the chances of dividends warrants getting lost in the post, undelivered or delivered at the wrong address etc.

Notice of 68th Annual General Meeting

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 Audit 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, 2015, 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: 17.5%

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 17.5% would be deducted. Therefore, all shareholders having physical shareholding are requested to ensure that their valid CNIC/NTN is available with the Share Registrar and Transfer Agent of the Bank. The corporate shareholders having CDC accounts are required to provide NTN to their respective participants, whereas, corporate entities having physical shareholding would send a copy of their NTN certificate to the Bank’s Share Registrar and Transfer Agent at below mentioned address.

5. Deduction of Withholding Tax on Joint Account Holder(s):

The Joint Account Holders whose shareholding details as to Principal Shareholder have not yet been determined for deduction of withholding tax on the upcoming dividend of the Bank, are requested to please furnish to the 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.

6. 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

Notice of 68th Annual General Meeting

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.

7. 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.
- Any change in the registered address of a shareholder may kindly be notified at the following address:

M/s THK Associates (Pvt) Ltd
Share Registrar-MCB Bank Limited
Second Floor, State Life Building-3
Dr. Ziauddin Ahmed Road, Karachi-75530
UAN +92 (21) 111-000-322,Fax: +92 (21) 3 56 555 95.
Email: secretariat@thk.com.pk

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 68th Annual General Meeting of the Bank.

Agenda No. 4

Approval for Alteration in the Articles of Association of the Bank:

The shareholders in their Annual General Meeting held on March 26, 2010, approved the reimbursement of travel expenses for the spouse of non-resident directors, accompanying them while they were travelling to attend the Bank's board meetings. This facility was subject to a maximum limit of twice in a financial year and was in addition to the cost of boarding and lodging payments/reimbursements to the non-resident directors in connection with attending the meetings. Since its approval, the Bank made payment of travel expenses of the spouse of a non-resident director only once with the permission of the State Bank of Pakistan ("SBP"). However, this facility has not been availed since by the non-resident directors.

As advised by the regulator, the Board of Directors re-assessed the travelling facilities relating to non-resident directors and resolved to withdraw the facility. It is hereby further apprised that while approving this facility, the shareholders also approved the related amendment in Article 94 of the Articles of Association of the Bank. As this facility has been withdrawn by the Board; therefore, the shareholders are requested to approve the deletion of Para 3 of Article 94 of the Articles of Association of the Bank.

Agenda No. 5

Approval for Alteration in the Memorandum of Association of the Bank:

The Bank has subsidiaries in different business sectors like leasing, switch related business, assets management, custody and trustee business etc. The affairs of such subsidiaries are handled independently and any transaction/service from or to such subsidiaries are dealt on arm's length basis in accordance with the market terms and conditions. The Bank has never assumed any sort of legal obligation on behalf of its subsidiaries.

Notice of 68th Annual General Meeting

The Bank, being holding company equipped with quality resources, may provide support services to its subsidiaries by sharing costs of overheads on commercial basis. Therefore, the Board of Directors considered and approved that the Bank could provide support functions/services like human resource management, administration, accounting, information technology and other secretarial and general services to its subsidiaries by sharing costs of overheads and fixed assets on predetermined terms and conditions, strictly in accordance with Clauses 6 and 7 of BPD Circular No. 01 of 2005, dated January 28, 2005, issued by the State Bank of Pakistan ("SBP"). However, the Bank will not expose to risks on account of its subsidiaries and the transactions with the subsidiary (ies) will be conducted on arm's length basis and appropriate fees will be charged for the services rendered by the Bank without any involvement in the day-to-day operations of the subsidiary (ies). Further, such support function will not affect the main business of the Bank rather it would be cost effective for the subsidiary (ies) against the quality services and potential saving in cost will enhance consolidated profitability of the Bank. The proposed alteration in Object Clause of the Memorandum of Association of the Bank would adhere to all the applicable laws, rules and regulations.

In order to incorporate the provision of providing support functions/services to subsidiaries of the Bank, the Board has approved the alteration in Object Clause of the Memorandum of Association of the Bank by inserting new clause in it and recommended to the shareholders for their approval.

The Bank has also submitted an application to SBP for the issuance of "No Objection Certificate" in respect of above mentioned alteration in the Memorandum of Association of the Bank as required by Section 89 of the Banking Companies Ordinance, 1962.

Agenda No. 6

Approval for Office Premises of Chairman Offices and related Administrative Expenses:

The Chairman's office premises situated at Lahore, Karachi and Islamabad, with limited staff, where the Chairman of the Board fulfills its responsibilities as vested by the Board of Directors from time to time. In this regard, the State Bank of Pakistan ("SBP") has pointed out that shareholders' approval for the said office premises for the Chairman and related administrative expenses was not available on record. It was also advised to take the shareholders' approval in respect of an amount of PKR 14.630 million incurred during the year 2014, on account of administrative expenses of Chairman offices. The shareholders are, therefore, requested to accord their approval for the Chairman's office premises located at Lahore, Karachi and Islamabad as well as administrative expenses pertaining to these offices, staff and related facilities in accordance with the provisions of BPRD Circular No. 09 of 2015, dated May 06, 2015.

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 68th Annual General Meeting of the Bank.

Website of the Bank:

The Annual Audited Financial Statements of the Bank for the year ended December 31, 2015 and Notice of 68th 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 as per Agenda Item No. 4, 5 and 6, save their shareholdings in the Bank.

Glossary of Terms

Important terms and formulae used for calculation in Financial Statements are briefly described here;

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Basis point

One hundredth of a per cent i.e. 0.01 per cent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

Breakup Value per share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets excluding the impact of revaluation on fixed assets, divided by the total number of share outstanding at year end.

BSD

Banking Surveillance Department 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, 2015

With reference to SRO 924(1) / 2015 dated September 9th, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been added for investor's awareness.

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*Mobile apps are also available for download for android and ios devices

Form of Proxy

68th Annual General Meeting



I/We _____
of _____
being a member (s) of MCB Bank Limited, and holder of _____
ordinary shares, do hereby appoint _____
of _____ vide Folio/CDC Account No. _____
or failing him / her _____ of _____ who is also a member
of the Bank, video Folio / CDC Account No. _____
as my / our proxy in my / our absence to attend, speak and vote for me / us and on my / our behalf at the 68th Annual General Meeting of the Bank to be held on **Tuesday, March 29, 2016 at 11:00 AM** at Pearl-Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, and at any adjournment thereof.

As witness my / our hand/Seal this _____ day of _____ 2016

Signed by _____

In the presence of _____

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on
Five-Rupees Revenue Stamp

The signature should agree with the specimen registered with the Bank.

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 2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, 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, 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 Company.

ایم سی بی بینک لمیٹڈ

میں / ہم
کا تعلق ضلع _____ بحیثیت ممبر ایم سی بی بینک لمیٹڈ میرے پاس _____ عام حصص رکھتے ہوئے
جس کا تعلق ضلع _____ سے ہے بذریعہ فولیو ای سی ڈی سی
اکاؤنٹ نمبر _____ کو بطور پراکسی مقرر کرتا ہوں / کرتی ہوں یا بصورت دیگر
کو جو ضلع _____ سے ہے اور جو ایم سی بی بینک لمیٹڈ کا ممبر بذریعہ فولیو نمبر ای سی ڈی سی اکاؤنٹ نمبر _____ بھی ہے کو پراکسی مقرر
کرتا ہوں / کرتے ہیں جو میری / ہماری غیر حاضری میں بینک کے 68 ویں سالانہ عام اجلاس میں جو تاریخ 29 مارچ، 2016ء بروز منگل بوقت 11 بجے صبح
بمقام پرنسپل کانسٹیبل 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 تاریخ _____ 2016ء

ان کی مدد سے، یہ نام ہے

دستخط بینک میں رجسٹرڈ نمونے
سے مطابقت رکھتے ہوئے چاہیے

فولیو نمبر ای سی ڈی سی اکاؤنٹ نمبر _____

گوواہان :

(1) نام: _____ نام: (2) _____
پتہ: _____ پتہ: _____
شناختی کارڈ نمبر: _____ شناختی کارڈ نمبر: _____
دستخط: _____ دستخط: _____

نوٹ:

- 1- اجلاس میں شرکت کرنے اور ووٹ دینے کے اہل ذمہ داران کی دوسرے دن کو اپنا اپنی پراکسی مقرر کر سکتا ہے جس کو شرکت کرنے، بولنے اور ووٹ دینے کا حق حاصل ہوگا۔
- 2- یہ عمل پُر کروا اور دستخط شدہ پراکسی فارم شہر رجسٹرار اور ڈائریکٹوریٹ رجسٹری افسر کے پاس پیش کرنا ہوگا (پراکسی پتہ) ملتان، بمقام دوسری منزل اسٹیٹ انک بلڈنگ - 3، ڈاکٹر ضیاء الدین روڈ، کراچی، کے دفتر میں اجلاس کے انعقاد سے 48 گھنٹے پہلے پیش کرنا چاہیے۔
- 3- اگر ایک دن ایک سے زیادہ پراکسی مقرر کرتا ہے اور شہر رجسٹرار کے پاس ذمہ داران کی طرف سے پراکسی فارم کی ایک سے زائد دستاویزات جمع کرانی جاتی ہے تو پراکسی کی ایسی تمام دستاویزات کا عدم تصور ہوگی۔
- 4- ای سی ڈی سی اکاؤنٹ رکھنے والوں / کارپوریٹ اداروں کے لیے:
 - * مستفید مالکان اور پراکسی کا کپی ہولڈر ان کے ذمہ داران کی شناختی کارڈ نمبر اور پراکسی فارم کے ساتھ میٹنگ کی جانے لگی۔
 - * اجلاس کے موقع پر پراکسی اپنا اصل شناختی کارڈ نمبر پیش کرنا چاہیے۔
 - * کارپوریٹ اداروں کے لیے، رجسٹرڈ آف ڈائریکٹوریٹ قرار دار ادارہ رجسٹرڈ مخصوص دستخط کے ساتھ پراکسی فارم کے ساتھ کاپی کو جمع کروانا ہوگا۔



Bank for Life

Principal Office

MCB House, 15-Main Gulberg, Lahore

UAN: (042) 111-000-622 PABX: (042) 36041998-9

www.mcb.com.pk