



MCB Bank & Pakistan
...together for Life



Annual Report 2018





MCB Bank & Pakistan ...together for Life

Life thrives on togetherness, it cannot be conceived, cultivated, realize a purpose or reach fruition in silos. Just like MCB Bank and its customers, clients, stakeholders and shareholders, we have succeeded together, discovered opportunities as one and flourished to benefit mutually.

This year's MCB Bank Annual Report celebrates togetherness with a sense of gratitude and pride, the satisfaction that MCB Bank has only grown stronger over the course of more than 70 years with you... with Pakistan. From surpassing growth to attaining glory, from keeping promises to delivering profits, from achieving progress to bringing prosperity, from pledging reliance to cementing relationships and from securing strength to solidifying stability. This consistent progress is a function of continually making vital investments, to build our capabilities, our people, systems and products. With you, MCB Bank has become an exceptional bank with an extraordinary heritage and a promising future... with an assurance to being Together for Life.

Table of Contents

06	Vision
06	Mission
08	Strategic Objectives
18	Core Values
20	Awards
	Organizational Overview
23	Products and Services
36	Corporate Information
38	Board of Directors
40	Profile of the Board of Directors
46	Organizational Structure
48	Management Committee
50	Other Senior Management
52	Entity Credit Rating
53	Corporate Profile of the Bank
54	Chairman's Review
56	President's Review
	Performance & Position
59	Highlights 2018
60	Financial Performance 2008 - 2018
61	Forward Looking Statement
65	Graphical Presentation of Financial Statements
66	Analysis of Financial Performance
67	Analysis of Non Financial Performance
68	Maturities of Assets and Liabilities
68	Key Interest Bearing Assets and Liabilities
69	Deposits & Advances
70	Non Performing Loans
71	Investments
72	Quarterly Performance - 2018 & 2017
73	Quarterly Performance Analysis - 2018 & 2017
74	Capital Structure
75	Six Years' Financial Performance / Financial Ratios 2013 - 2018
77	Six Years' Non-Financial Performance 2013 - 2018
78	Six Years' - Performance Commentary
81	Six Years' - Graphical Summary of Ratios
82	Six Years' - Concentration of Advances, NPLs and Off Balance Sheet Items
83	Six Years' - Maturities of Assets & Liabilities
84	DuPont Analysis
85	Summary of Cash Flows
85	Free Cash Flows
86	Cash Flow Statement Direct Method

Vision

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

Mission

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



Strategic Objectives

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

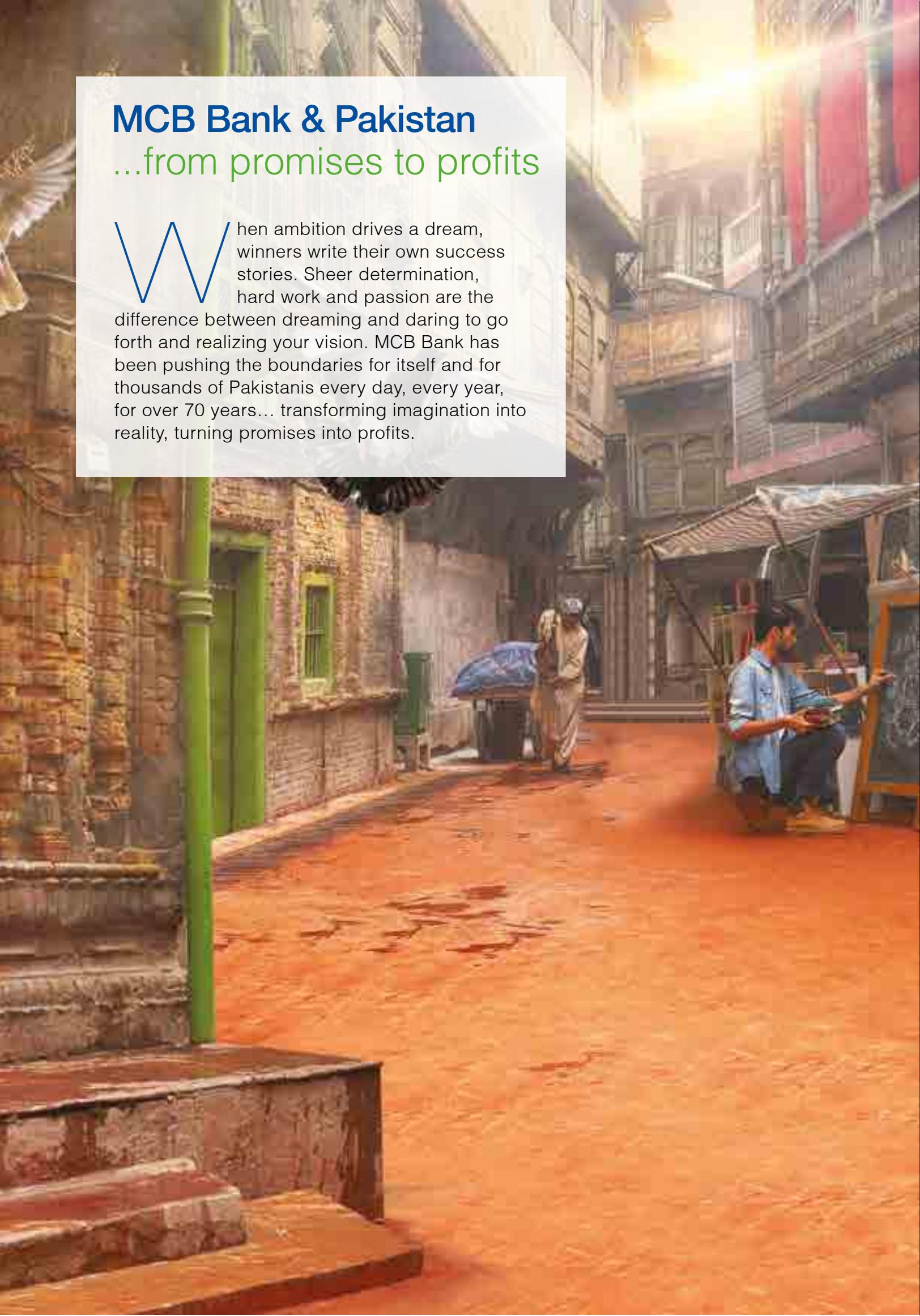


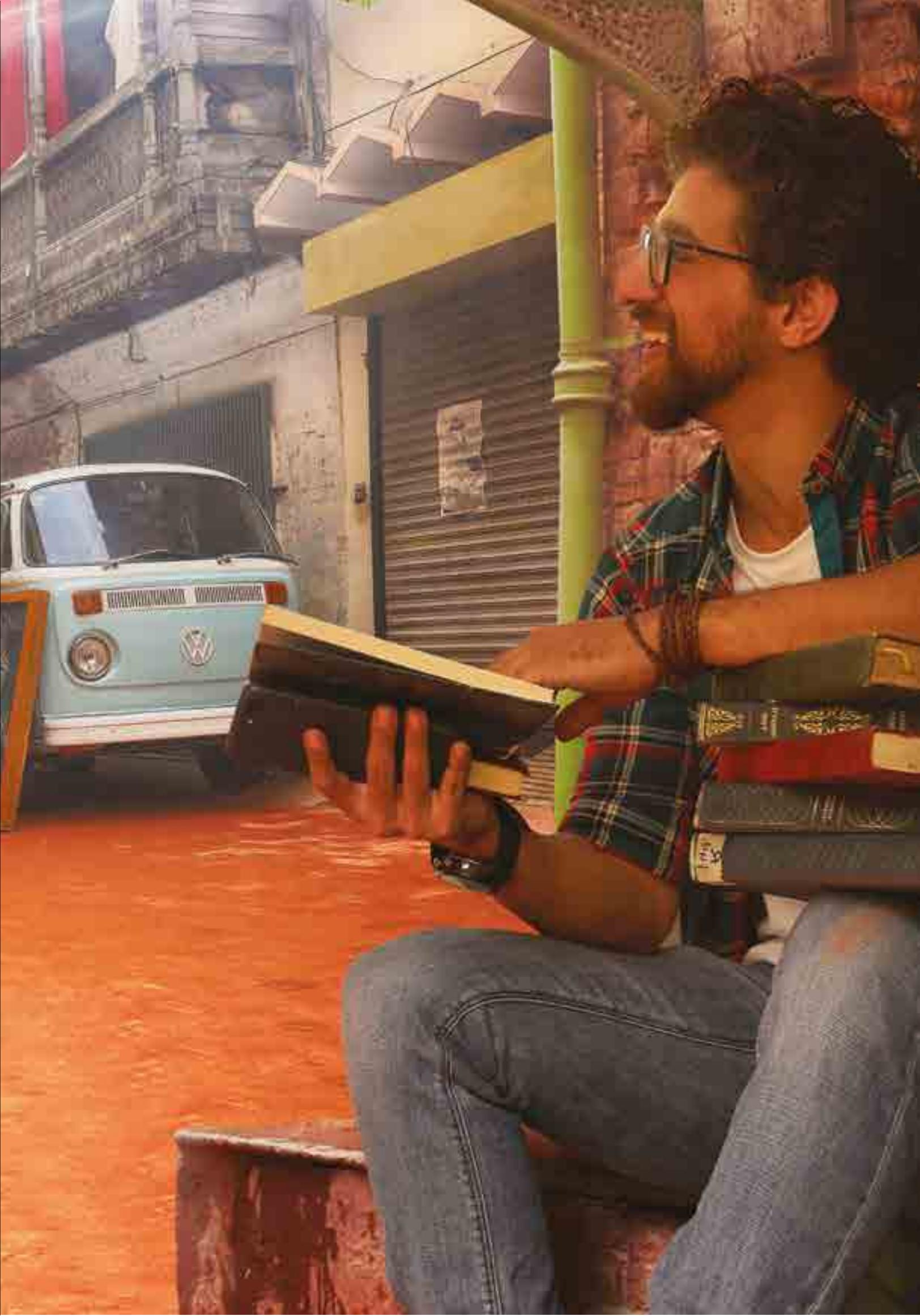


MCB Bank & Pakistan

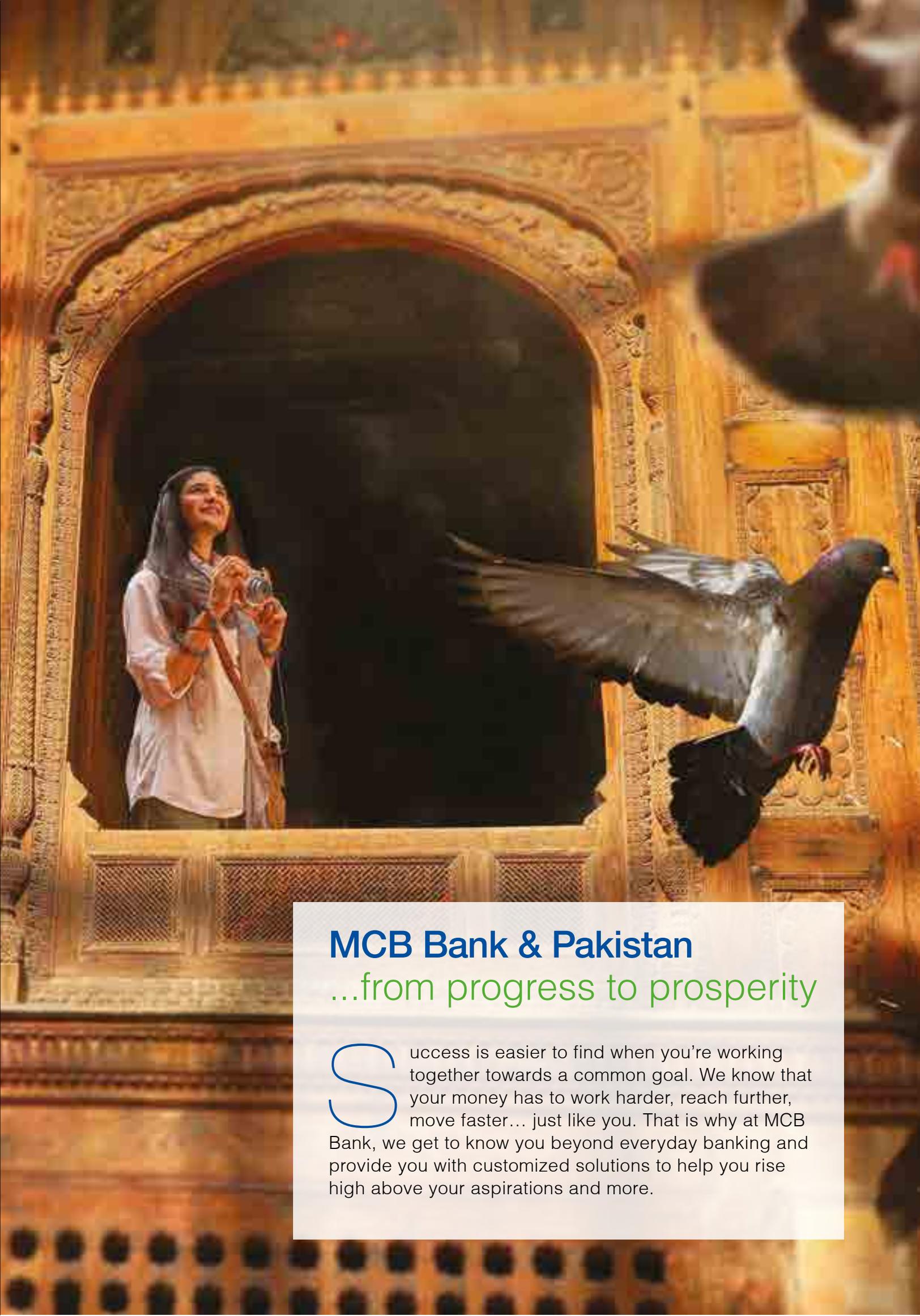
...from promises to profits

When ambition drives a dream, winners write their own success stories. Sheer determination, hard work and passion are the difference between dreaming and daring to go forth and realizing your vision. MCB Bank has been pushing the boundaries for itself and for thousands of Pakistanis every day, every year, for over 70 years... transforming imagination into reality, turning promises into profits.









MCB Bank & Pakistan

...from progress to prosperity

Success is easier to find when you're working together towards a common goal. We know that your money has to work harder, reach further, move faster... just like you. That is why at MCB Bank, we get to know you beyond everyday banking and provide you with customized solutions to help you rise high above your aspirations and more.

MCB Bank & Pakistan

...from reliance to relationships

We see the challenges of the present times as opportunities of a new age. Because we understand the financial partner you need is one who's seen you grow and watched you succeed. For over 70 years, MCB Bank has been serving the people of Pakistan with the same unshakable trust, year after year, generation after generation.





MCB Bank & Pakistan

...from growth to glory

Finding a bank with the right balance of strength and stability is what we aspire for in life. For over 70 years, MCB Bank has been offering solid financial ideas combined with the power of a personalized banking relationship. These are the seeds which bring out the best in you, so you can harvest the fruits of success with every glorious sunrise.



Core Values

Integrity

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

Innovation

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

Excellence

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

Customer Centricity

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

Respect

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





Awards

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

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

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

2016 Euromoney Awards
2016 1st Pakistan Banking Awards
2016 Finance Asia Country Awards
2016 ICAP and ICMAP:
2016 First Global Awards:
2016 Assets AAA Country Awards
2016 SAFA Awards
2016 SAFA Awards

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

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

Best Islamic Loan Advisor, Pakistan
Project Finance House of the Year, Pakistan
Renewable Energy Deal of the year – Solar, Pakistan to MCB Bank Limited, MCB Bahrain, MCB Dubai
Oil and Gas Deal of the Year, Pakistan
Telecom Deal of the Year, Pakistan
Best Domestic Bank
Best Bank in Pakistan

Best Corporate Report Award 2017 - Winner

Best Investment Bank in Pakistan
1st - BCR Award 2016 - Banking Sector
Best Project Finance House in Pakistan
Project Finance House of the year in Pakistan
Renewable Energy deal of the year
Transport deal of the year
Best Regional Bank in South Asia for Belt & Road Initiative (BRI)
Best Bank in South Asia for Belt & Road Initiative (BRI)
Strongest Bank in Pakistan
Best Pakistan Deal, IPO of Pakistan Stock Exchange
Best Equity Pakistan IPO of Pakistan Stock Exchange
Runner Up - Corporate Finance House of the year
Certificate of Merit Best Presented Annual Accounts 2016-Banking Sector
Certificate of Merit SAARC Anniversary Awards for Corporate Governance

Best Bank in Pakistan 2016
Best Bank for Corporate Finance & Capital Market Development
Best Bank in Pakistan 2016
1st - BCR Award 2015 - Banking Sector
Most Innovative Investment Bank for Islamic Finance
Best Micro Finance Deal for National Rural Support Programme
Certificate of Merit Best Presented Annual Accounts 2015-Banking Sector
Certificate of Merit SAARC Anniversary Awards for Corporate Governance

Most Stable Bank of the year 2014
Best Bank in Pakistan 2015
1st - BCR Award 2014 - Banking Sector
Winner of Best Presented Annual Accounts 2014 - Banking Sector

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

2013 The Asset Triple A:	Best Domestic Bank - Pakistan
2013 The Asset Triple A:	Best Islamic Deal
2013 ICAP and ICMAP:	1st - BCR Award 2012 - Banking Sector
2013 LK Domain Registry Sri Lanka:	Best Website Award
2013 Lanka Clear Pvt. Limited:	T+1 Cheque Clearing Award
2013 SAFA Awards	Certificate of Merit Best Presented Annual Accounts 2012-Banking Sector
2012 The Asset Triple A:	
2012 Euromoney:	Best Domestic Bank - Pakistan
2012 NFEH:	Best Bank in Pakistan
2012 ICAP and ICMAP:	CSR Business Excellence Award "Best Media Coverage"
2012 World Finance:	2nd Best Corporate Report Award 2011 - Banking Sector
2012 Pakistan Centre for Philanthropy:	Best Commercial Bank - Pakistan
2012 SAFA Awards	PCP Corporate Philanthropy Award
	2nd Runner up Best Presented Annual Accounts 2011-Banking Sector
2011 CFA Association Pakistan:	
2011 CFA Association Pakistan:	Most Stable Bank of the Year
2011 Euromoney:	Best Bank of the Year
2011 ICAP / ICMAP:	Best Bank in Pakistan
2011 SAFA Awards	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:	Strongest Bank in Pakistan
2010 MMT:	Leadership Achievement Award
2010 ICAP / ICMAP:	Best Bank Led MMT Service
2010 SAFA Awards	1st - BCR Award 2009 - Banking Sector
	Certificate of Merit Best Presented Annual Accounts 2009-Banking Sector
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
2006 Asiamoney:	Best Domestic Bank in Pakistan
2006 Euromoney:	
	Best Domestic Bank in Pakistan
2005 Asiamoney:	Best Bank in Pakistan
2005 Euromoney:	
	Best Domestic Bank in Pakistan
2004 Euromoney:	Best Bank in Pakistan
2004 Asiamoney:	
	Best Bank in Pakistan
2003 Euromoney:	Best Domestic Bank in Pakistan
2001 Euromoney:	Best Bank in Pakistan
2000 Euromoney:	Best Bank in Pakistan
	Best Bank in Pakistan







Products & Services

MCB Liability Products

MCB Bank offers a wide range of products and services hence ensuring ease and freedom for the customer to bank from any of the 1350+, branches across the country and a wide array of digital channels.

MCB Current Deposit Products

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

MCB Savings Deposit Products

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

MCB Term Deposit Products

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

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

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

- **MCB Salary Club Account:** A unique product offering targeted towards organizations to manage payroll by getting the employee accounts opened with MCB Bank. MCB Salary Club Account has both Current and Savings variants on which the employees can avail various free benefits & discounts on different services.
- **MCB Ladies Account:** MCB Ladies Account is targeted specifically towards ladies with the main objective to create a niche for females of Pakistan and give them the freedom of managing their own finances with a sense of security and independence. This product offers various benefits including free Insurance with a unique blend of health, accident, critical illness and death coverage along with attractive discounts on other services. MCB Ladies Account holders also have an option to choose from 5 unique and colorful debit card designs with higher transaction limits along with an exclusive Cheque Book.
- **MCB Current Life Account:** A current account which offers Free Life insurance coverage of up to PKR 1 Million giving customers peace of mind by ensuring the security of their loved ones in case of an unforeseen event.
- **MCB Senior Citizens Account:** MCB Senior Citizens Account comes in both current and savings variants and aims to provide exclusive privileges in order for our elderly customers to take care of their financial needs with ease with discounts on a wide array of services.
- **MCB Pensioners Account:** MCB Pensioners Account comes in both Current and Savings Variants and allows the account holders to face the future with confidence and live to the fullest. This account is designed especially to cater to the financial needs of Pensioners and goes the extra mile to ensure peace of mind at this stage in their life. In addition, 50% discount on numerous services can be availed by opening up a MCB Pensioners Account.
- **MCB Asaan Account:** A current deposit account with simplified account opening requirements is designed to extend benefits of financial services to the unbanked segments of the society. This product aims to improve economic growth of potential customers under the financial inclusion initiative.
- **MCB 365 Savings Gold Account:** This account enables the customers to enjoy attractive returns on their deposit on a monthly basis along with making use of various self-service channels such as Internet Banking & Mobile Banking.
- **MCB Burqraftaar Remittance Account** is a promising product to serve home remittance consumers with security, convenience, and accessibility from a trusted medium. This account also provides a secure remittance inflow medium which will help the customer and the remitter with a unique withholding tax exemption on cash withdrawal. The account is targeted towards Remittance Beneficiaries, who are resident Pakistani's and rely on different mediums to receive funds with different risk associated mediums.
- **MCB Asaan Remittance Account** is another initiative by the SBP under the financial inclusion program to provide a secure home remittance inflow. The account is available in the current category only and is targeted towards the unbanked/under-banked remittance beneficiaries of Pakistan with simplified account opening requirements. This product not only increases the Bank's product portfolio but also fulfills its fiduciary responsibility of documenting the economy and creating saving habits amongst for its customers.

MCB E-Statements

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

MCB SME Card:

The MCB SME Card; the first of its kind card base clean lending product offering a working capital line to small enterprises (SEs) & medium enterprises (MEs). Introduction of this product challenges the conventional mindset for lending to SMEs and provides a new innovative approach.

The ideology behind introduction of this product is to support the SME sector of Pakistan that forms backbone of growing economies.

MCB Privilege Banking

Privilege Banking takes pleasure in taking you on

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

MCB State Of The Art Up Mall Branches

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

MCB Agri Financing Products

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

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

MCB Bank fully supports all Government and State Bank of Pakistan initiatives for promotion and steady flow of credit to the farmers. This lends support to the national cause of food security for the people of Pakistan and to exploit the potential of agriculture sector. Efforts are made to enhance outreach to the growers through innovative lending including value

chains, processing units. MCB Bank will continue to support agriculture sector as a matter of its policy by remaining an active partner supporting progressive farmers by providing credit for all types of farm and non-farm activities. Micro credit need of small farmers is met through extending credit lines to NGOs supported through digital services, thus serving the cause of financial inclusion.

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

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

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

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

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

MCB Rupee Travellers Cheque

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

MCB Consumer Lending Products

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

MCB Consumer Finance products enhance the overall life experience of our customers. MCB Bank works to collaborate with targeted brands and organizations to ensure that we provide premium value added services to our clients.

The MCB Consumer Banking Group is ably assisted by strong back office support which includes Operations, Service Quality, Internal Audit, Compliance and a Legal Team that work together to ensure that the Bank operates efficiently and in the best interest of its customers under the regulatory framework.

MCB Car4U

The Bank's auto financing service, MCB Car4U, provides a one-stop financing solution to help our customers obtain the automobile of their dreams. Customers are free to choose between used and new vehicles, both locally and foreign manufactured. MCB Car4U also allows the customers to finance up to three cars simultaneously from MCB Bank in line with their unique needs and requirements. Both loan and lease variants are offered under Car4U financing. MCB Car4U offers auto loans to customers in 1350+ of our branches across 85 cities. Both self-employed and salaried customers can apply for MCB Car4U Loan with ease. The Bank offers a competitive markup rate to all customers and also offers a discounted markup rate to its existing Branch Customers. Over the years,

the Bank has formed a strong network of auto-dealers, focusing on both new/used and imported car dealers so we can better facilitate our customers evolving needs... MCB Bank values its credible and expansive dealer network as one of the key pillars of its success in the auto finance business.

MCB Home Loan

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

MCB Credit Cards

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 Plans, transfer balances on a lower rate or even request for a Banker's Cheque in the customer's own name.

MCB Digital Banking Products and Services

MCB Debit Card

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

mark for card data security thus improving the overall product value proposition.

MCB ATMs

MCB Bank has the second largest ATM network in the country with 1300+ ATMs which includes more than 140+ off-site ATMs placed at commercial locations like malls, workplaces and hospitals etc., for consumers' convenience. The network covers 400+ cities across the country and is steadily growing. MCB Bank has one of the best ATM uptime rate across the industry, ensured by the presence of ATM monitoring teams working 24/7, periodic system health checks and timely hardware replacements. We take pride in the fact that our entire ATM network is equipped with anti-skimming and anti-malware solutions which helps in safeguarding customers. MCB ATMs provide our customers with 24-hours of convenience to withdraw cash, view mini-statement, utility bill payments, mobile top-ups, funds transfer and much more.

MCB CDMs

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

MCB Mobile

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

MCB Internet Banking

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

and wherever they want.

MCB Call Centre

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

MCB Lite

MCB Bank received its branchless banking license 7 years ago, and formally started its branchless journey with the launch of MCB Lite in 2014. MCB Lite mobile wallet allows customers to handle their daily transactions and payments in an efficient and real time manner from one's mobile phone. Moreover, to support foreign remittance, the enablement of Lite Remit feature has allowed customers to receive money directly into their Lite mobile wallet from anywhere in the world. MCB Lite is all set to now explore new fronts and expand its overall footprint across the branchless banking arena.

MCB Card Discounts

Caring for and giving back to our esteemed customers is what MCB Card Discounts is all about. MCB Bank is proud to have the best discount offers for our prized MCB (Debit, Credit, Prepaid and Lite) card holders. With a wide variety of discounts across all top retail merchants and brands ranging from dining, shopping and lodging. MCB Bank's motto i.e. 'Bank for Life' is truly personified through our MCB Card Discounts program. The year 2018 concluded with the bank onboarding more than 30+ top of the line discount partners for multiple strategic and long term discount deals.

MCB Alerts

MCB Bank is proud to offer its valued customers with alerts services comprising of SMS alerts. This service allows customers to keep track of all of their banking transactions through SMS notifications. By applying to this service, customers receive real time updates

whenever they conduct a transaction on any of their MCB bank accounts. It is a great way of staying updated about the transactions conducted on one's account(s).

Card Acquiring (POS)

MCB Bank has a strong POS Network of approximately 4500 merchants at key locations across Pakistan. Our Point of Sale (POS) network is fully compliant with EMV & UICC (international safety & quality standards) and accepts Visa, MasterCard, UPI, JCB and Paypak enabled cards from all over the world. The POS Acquiring business continues to grow due to deepening of merchant relationships, round the clock support, increased POS productivity and quality of deployments.

Internet Acquiring (MCB eGate)

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

CFIBG Products and Services

MCB Home Remittances has established its brand as MCB Burqraftaar within the remittance industry and is committed to contribute towards the national interest of promoting remittances through legal channels by continuously improving customer experience for Pakistanis across the globe. In 2018, MCB Bank has witnessed a growth of 34% in terms of volumes as compared to 2017. Our market share has increased phenomenally from 12% to 15% during the year, thus making MCB Bank the second largest remittance recipient bank in the country. MCB Burqraftaar is proud to deliver smiles to millions of Pakistanis throughout the year.

MCB Motherland Account: MCB offers Non-Resident Pakistanis the facility to open and operate an account in their home country while still residing abroad. It is

designed to allow transferring of funds to family and loved ones back home with the convenience of your own personal account.

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

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

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

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

- **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.

- **Corporate IVR for Collections:** MCB introduced a new platform to Dealers, Distributors and Franchisees to conduct transactions without visiting

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

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

Banker to the Issue for IPO's & Right Shares

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

MCB Corporate Financing

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

MCB Project and Structured Finance

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

MCB Syndicated Loans and Debt Capital Markets

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

MCB Quasi Equity / Hybrid Instruments

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

MCB Equity Capital Raising

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

MCB Advisory Services

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

MCB Sri Lanka - Products and Services

Current Account

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

Savings Account

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

Fixed Deposits

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

MCB Kidz Club

Children are the wealth of our nation. We offer ample encouragement and incentives to assure them of a future that's secure. MCB Kidz Club Account offers an attractive interest rate coupled with a wonderful gift scheme based on the account balance. This encourages parents and children to grow their account

balance in order to enjoy the financial return, as well as to collect gift items on reaching specific account balances.

Foreign Currency Accounts

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

MCB Smart Card

MCB Smart Card provides access to Savings / Current account 24 hours a day, right throughout the year. Our ATM connectivity extends to a sharing network with over 4000 ATMs Island wide via Lanka Pay, which is the largest common ATM network in the country.

Virtual Banking

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

Safe Deposit Lockers

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

MCB Personal Loan

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

Vehicle Loan – Car4U

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

leasing package more affordable for each customer.

MCB Home Loan

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

Remittances

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

Trade Services

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

SME & Corporate Financing

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

UAE - Products and Services

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

MCB Current Deposit Account

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

365 Savings Business Gold Account

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

Term Deposit

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

Demand Finance

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

Overdraft

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

Bills Discounting

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

Post-dated Cheque Discount Facility

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

Finance against Trust Receipts (FATR)

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

to pay the Bank on deferred basis.

Financing against Receivables

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

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

Guarantees

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

Internet Banking

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

Bahrain – Products and Services

MCB-Bahrain is engaged in various activities.

Syndicated Transactions

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

Loans and Advances

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

Trade Finance

MCB-Bahrain provides all types of trade finance facilities to its clients. Trade finance services range from opening of all types of L/Cs, advising, confirmation, discounting of L/Cs, documentary collection, bill discounting and issuance of bank guarantees. LC Reimbursement & Remittances: MCB-Bahrain also acts as reimbursement agent on behalf of MCB's branches in Pakistan, Dubai and Sri Lanka to make payments to various banks/beneficiaries all across the world against their respective L/Cs / remittances.

MCB Current Account

It is designed to provide our customers with transactional convenience and flexibility. Accounts are opened in international currencies (USD/GBP/EUR) with low minimum balance.

MCB Savings Account

MCB Bahrain offers saving accounts in International currencies (USD/GBP/EUR) to customers and offer attractive interest rate on deposits while giving the flexibility to use the funds for transactional needs as well. An attractive option for customers with high balance and require transactional flexibility.

Term Deposit

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

Fixed Income Investment

MCB-Bahrain has been investing in various fixed income securities like Sovereign bonds, Sukuk or any other fixed income products.

FX & Money Market (Treasury)

MCB Bahrain has its treasury and has built relationship with leading banks to full its borrowing / placement requirement. MCB Bahrain manages has its own funds management therefore, we do borrowing / placement / SWAP etc. of funds as per its liquidity position.

Correspondent Banking

MCB-Bahrain also initiates and develops business relationship with various banks within and outside Bahrain. The branch maintains its Nostro/accounts with

various reputed banks in different countries. The unit has its own SWIFT system to maintain correspondent relationship with banks in various countries.

MCB Trade Products

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

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

to MCB LCs on “Free of Cost” basis thus increasing acceptability of MCB’s Import LCs and facilitate import customers.

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

MCB Islamic Bank Limited

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

The aim of MCB Islamic Bank Limited is to be the first choice Shari’ah compliant financial services provider for the customers and to carry out business purely in accordance with Shari’ah principles with full conviction and devotion.

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

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

The Bank is using the world’s renowned Oracle Flexcube as its Core Banking Software, the Bank offers different services and products to customers through a branch network of 176 branches backed by 179 On-Site and Off-Site network of ATMs. The Bank also offers EMV enabled Debit Cards, iOS and Android based native Mobile and Internet Banking services. Moreover, the Bank is fast developing its suite of Cash Management services for businesses.

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

Products and Services

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

Deposit Products

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

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

Digital Banking

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

- | | |
|----------------------------|---------------------|
| ■ MIB Qadar Cards | ■ MIB Phone Banking |
| ■ MIB Internet Banking | ■ MIB Mobile App |
| ■ SMS Notification Service | ■ MIB ATMs network |

Consumer Finance

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

SME Banking

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

MCB Islamic Bank offer following SME Banking services:

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

Microfinance

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

Commercial Banking

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

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

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

Corporate Banking

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

Our dedicated teams within Corporate Banking are situated in offices located in Karachi, Lahore, Islamabad, Multan and Faisalabad. Our in-house

expertise of product specialists and Shari'ah scholars are well versed in providing Shari'ah-compliant financing solutions to meet our customer's credit, trade, foreign exchange, investment banking and various other business requirements in a hassle free, effective and efficient manner across a diverse range of industries.

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

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

■ **Working Capital Finance**

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

■ **Long-Term Finance**

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

■ **Trade Services**

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

■ **Export Services**

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

- **Import Services**
 - Letter of Credit
 - Import Financing

- **Bank Guarantees**

Cash Management Services

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

MIB Services

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

- MIB Remittance Service
- Shari'ah Services
- Cash Management
- FX Services
- PRISM Services

Corporate Information

Board Of Directors

Mian Mohammad Mansha	Chairman
Mr. S. M. Muneer	Vice Chairman
Mr. Muhammad Tariq Rafi	
Mian Umer Mansha	
Mrs. Iqraa Hassan Mansha	
Mr. Muhammad Ali Zeb	
Mr. Mohd Suhail Amar Suresh Bin Abdullah	
Mr. Nor Hizam Bin Hashim	
Mr. Yahya Saleem	
Mr. Salman Khalid Butt	
Mr. Imran Maqbool	President & CEO

Audit Committee

Mr. Yahya Saleem	Chairman
Mian Umer Mansha	Member
Mr. Muhammad Ali Zeb	Member
Mr. Nor Hizam Bin Hashim	Member

Chief Financial Officer

Mr. Hammad Khalid

Company Secretary

Mr. Fida Ali Mirza

Auditors

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

Legal Advisors

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

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.) Limited
1st Floor, 40-C, Block 6, P.E.C.H.S.,
Karachi, Pakistan.

Branch Office:

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



Board of Directors







Mian Mohammad Mansha

Chairman

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

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

Mr. Mansha is also a committed philanthropist and provides regular support to numerous Pakistani charities and social causes. He has made significant contributions to the Saleem Memorial Trust Hospital and to Children's Hospital, Lahore

for the upgrade of their pediatric cardiac surgery facilities. In the past he has lent personal support to Shaukat Khanum Memorial Trust, Lahore Hospital Welfare Society, Mind Organization, Human Rights Society of Pakistan, Kidney Care Centre, The Citizens Foundation, Friends of Pakistan Institute of Cardiology Trust, Care Foundation, SOS Village, Lahore Model School Sant Nagar, Aziz Jahan Trust for the Blind and Altaf Mehmood Foundation among many others.

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

Other Directorships:

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



S. M. Muneer
Vice Chairman

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

In addition, he has received the 'Sitara-e-Isaar' and the 'Sitara-e-Imtiaz' in 2006 and 2007 respectively by the President of Pakistan in recognition of his outstanding public services for the cause of humanity. His contributions and achievements go beyond the economic sphere into the education sector as well. He was awarded an Honorary PhD degree (Doctorate of Philosophy) in January, 2009 by the Governor of Sindh. He is former President of Federation of Pakistan Chamber of Commerce & Industry (FPCCI), Member of the Board of Governors of IoBM and Greenwich College, Karachi. He is on the Board of Shaukat Khanum Cancer Hospital, Lahore, The Kidney Centre Post Graduate Training Institute. He is Patron-in-Chief, Korangi Association of Trade and Industry (KATI), Kashif Iqbal Thalassaemia Care Centre, Trust (KITCC). Mr. S. M. Muneer is the Chairman of Chiniot Anjuman Islamia running many hospitals, maternity homes, schools & colleges in Karachi, Faisalabad and Chiniot. Mr. S. M. Muneer was awarded "Life Time Achievement Award" by the President of Pakistan in 2012, and also awarded Life Time Achievement Award in the same year in the City of Markham (Canada) by the Mayor Mr. Frank Scarpitti in the presence of Members of Parliament. Recently, he has been awarded Who's who recognition of Achievement Award in the field of Trade Politics by the National Council of Who's Who Pakistan in Karachi on December 29, 2018.

Other Directorships:

- Din Textile Mills Limited
- Din Leather (Pvt.) Limited
- Din Farm Products (Pvt.) Limited
- Din Industries Limited



Muhammad Tariq Rafi
Director

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

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

Other Directorships:

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



Mian Umer Mansha Director

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

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

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

Other Directorships:

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



Iqraa Hassan Mansha Director

Mrs. Iqraa Hassan Mansha has more than 08 years of diversified professional experience in Hotel Industry. She received her BSc Degree in International Politics from London School of Economics and MSc degree in International Relations from the University of London School of Oriental and African Studies (SOAS).

She is serving in the capacity of Chief Executive Officer of Nishat Hospitality (Private) Limited and as Director on the Board of following companies:

Other Directorships:

- Nishat Hotels and Properties Limited
- Nishat (Gulberg) Hotels and Properties Limited
- Nishat (Aziz Avenue) Hotels and Properties Limited
- Nishat (Raiwind) Hotels and Properties Limited
- Emporium Properties (Pvt) Limited
- Nishat Real Estates Development Company (Pvt) Limited
- Nishat Hospitality (Pvt) Limited



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 21 years of diversified professional experience in the fields of Finance, Insurance & Manufacturing. He also served as council member of Insurance Association of Pakistan and Pakistan Insurance Institute. Insurance Association of Pakistan elected him as the Chairman for the year 2014 in terms of its Constitution.

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

Other Directorships:

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



Nor Hizam bin Hashim
Director

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

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

He also holds the office of director of "Badan Pengawas Pemegang Saham Minoriti Berhad" (also known as the "Minority Shareholders Watch Group") and of Maybank Islamic Berhad since December 2009 and October 2016 respectively.



Mohd Suhail Amar Suresh Bin Abdullah Director

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

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

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

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

Mr. Suhail is a Fellow of the Malaysian Institute of Management and Associate of the Asian Institute of Chartered Bankers Association (formerly known as Institute of Bankers Malaysia-IBBM). He holds a Masters of Business Administration from Charles Sturt University, Australia.



Yahya Saleem Director

After graduating from the Lahore University of Management Sciences (LUMS), Mr. Yahya joined the family business as director of the Nishat Chunian Group with setting up a spinning mill in 1990. The company has since diversified into weaving, home textile, power generation and entertainment sectors. Today with a turnover of PKR 29.8 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 16.47 billion in 2015, the IPP provides electricity to the national grid. Both the companies are listed on the Pakistan Stock Exchange.

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

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



Salman Khalid Butt
Director

Mr. Salman Butt is an accomplished international business executive and ex-banker. He is currently a Dubai, U.A.E. based entrepreneur. He started his career with Citibank N.A. in 1985 and worked for 20 years as an international banker with Citibank N.A. and Samba Financial Group, holding several senior positions in Corporate and Investment Banking in Pakistan, Hong Kong, UK, Egypt and Saudi Arabia.

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

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



Imran Maqbool
President & CEO

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

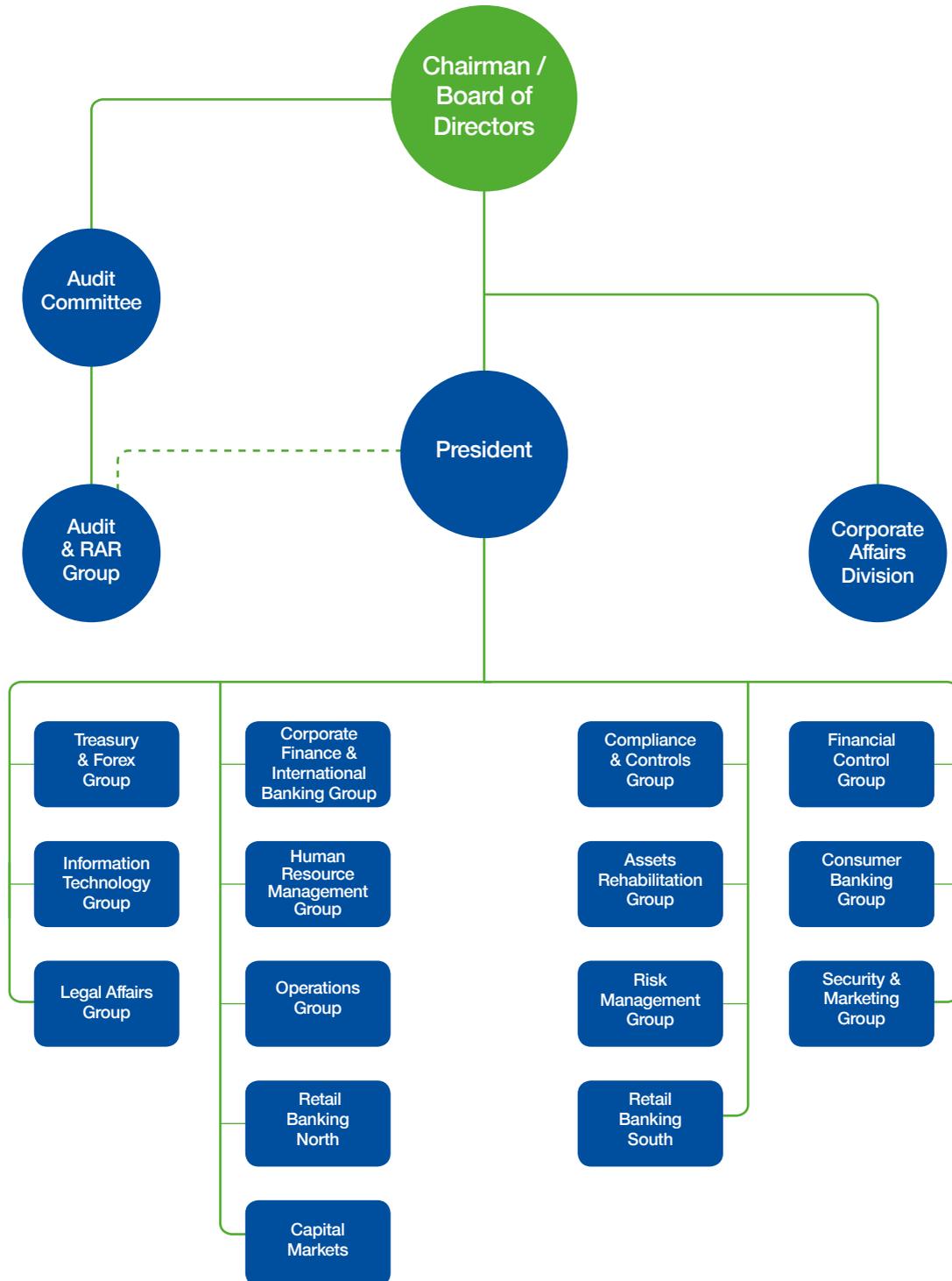
Before joining MCB Bank in 2002, Mr. Maqbool was associated with local banking operations of Bank of America and Citi Bank for over seventeen years where he worked in various senior management roles in respective banks.

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

Other Directorships:

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

Organizational Structure



----- Administrative Reporting
 ————— Functional Reporting



Management Committee



- 1st Row (L to R) - Usman Hassan, Kamran Zaffar Muggo
2nd Row (L to R) - Faisal Ejaz Khan, M. Nauman Chughtai, Salman Y. Zaidi
3rd Row (L to R) - Muhtashim Ashai, Hammad Khalid



1st Row (L to R) - Imran Maqbool, Hassan Nawaz Tarar, Nadeem Afzal
2nd Row (L to R) - Syed Mudassar Hussain Naqvi, Laqa Sarwar, Zargham Khan Durrani
3rd Row (L to R) - Farid Ahmad, Azfar Alam Nomani

Other Senior Management



Fida Ali Mirza
Company Secretary



Malik Abdul Waheed
Advisor to Chairman



Shoaib Mumtaz
Country Head UAE



Aali Shafi
Country Head Sri Lanka



Muhammad Farooq Wasi
Group Head Audit & RAR



Entity Credit Rating

LONG TERM

AAA

SHORT TERM

A1+

Corporate Profile of the Bank

MCB Bank is one of the oldest banks of Pakistan, incorporated in 1947. It was privatized in 1991. MCB Bank is majority owned by Nishat group (~36%), a prominent business conglomerate, having diversified interests in Textiles, Cement, Banking, Insurance, Power Generation, Hotel Business, Agriculture, Dairy, and Paper Products. 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 18.78% stake in MCB through Maybank International Trust (Labuan) Berhad.

In 2017, Fullerton Financial Holdings (International) of Singapore through Bugis Investments (Mauritius) Pte Ltd acquired 5.49% stake in MCB under merger scheme of NIB Bank with and into MCB Bank Limited. During 2018, the Bank transferred business of its 90 branches to its wholly owned subsidiary MCB Islamic Bank Limited to capitalize opportunities for growth in Islamic Banking sector.

Subsidiaries

MCB Financial Services Limited

Holding: 100%

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

MNET Services (Private) Limited

Holding: 100%

Profile: Service providers for Electronic Transactions to financial institutions/banks including related services in Information Technology, software and data processing.

MCB Islamic Bank Limited

Holding: 100%

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

MCB - Arif Habib Savings & Investments Limited

Holding: 51.33%

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

"MCB Leasing" Closed Joint Stock Company, Azerbaijan

Holding: 99.94%

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

Financial & Management Services Pvt. Limited

Holding: 95.90%

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

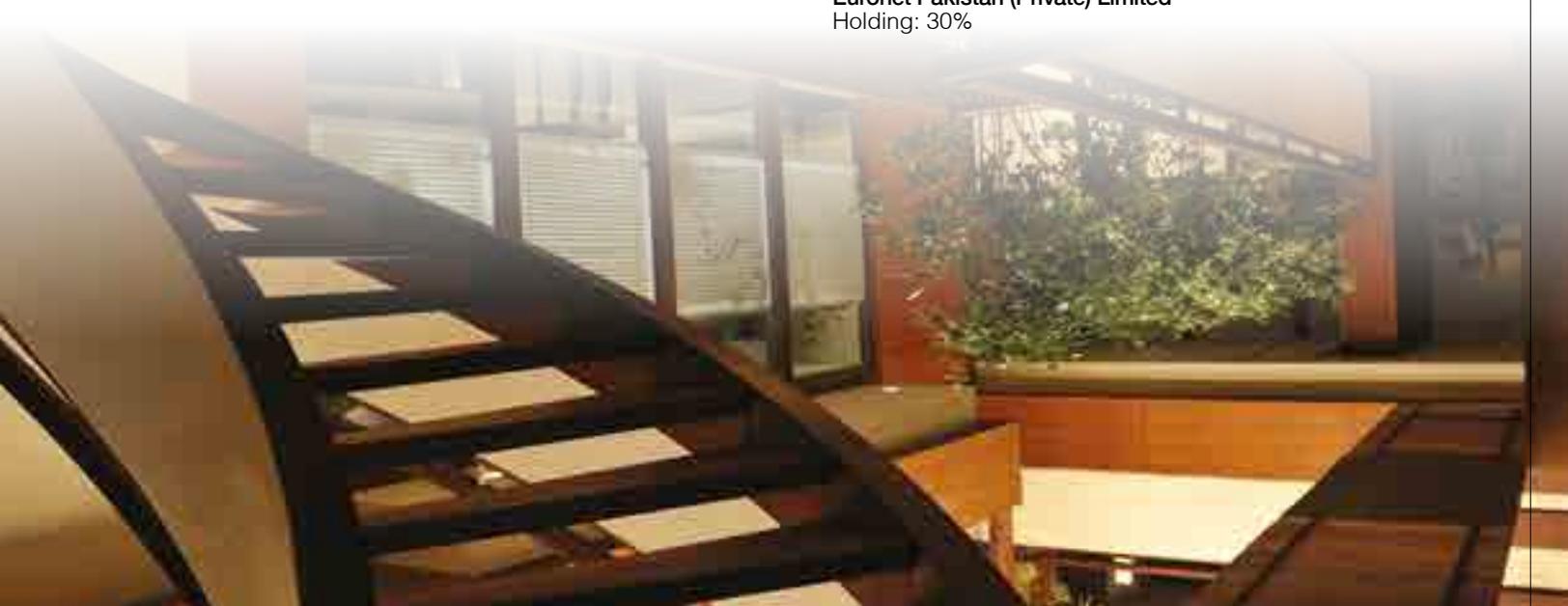
With reference to significant holding, the following entities are associates of the Bank;

Adamjee Insurance Company Limited

Holding: 20%

Euronet Pakistan (Private) Limited

Holding: 30%





Chairman's Review

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

Once again we are proud of how MCB Bank Limited has persevered and prospered in tough macroeconomic conditions. We have continued to burnish our reputation as a leader in the Pakistani Banking Sector. Our most valuable asset, our people, has been central to our continued success and we are sincerely grateful for their hard work and dedication.

2019 promises to be a year of opportunity provided we are ready to tackle our challenges head on. Infrastructure projects under CPEC are fast approaching completion and going forward need to be put to optimal utilization for realization of their full benefits to the economy during the industrialization/investment phase of the CPEC. The Government will have to ensure availability of power and other utilities to the industry, by ensuring proper transmission and distribution free of unnecessary bureaucratic controls and hurdles. This will particularly matter for the successful development of Special Economic Zones (SEZ) under next phase of CPEC. The government will have to continue its efforts to improve Pakistan's status on ease of doing business indicator, such as facilitating visa processing and adopting international best practices. A particular governmental focus will be very beneficial for promoting progress in manufacturing, power and agriculture sectors since they constitute the backbone of the economy.

Growth in different sectors of the economy has attracted major international companies towards Pakistan where they see excellent prospects; a huge consumer market, cheap labor and a strategic location. All these factors bode well and indicate the Pakistani economy is ready to prosper but only if it is allowed to fulfill its potential. The auto sector is a genuine

source of hope and has attracted many famed international manufacturers to make a direct investment in Pakistan. We anticipate that this rapidly maturing sector with its focus on localization can play a major role in generating economic activity, employment and exports in the long term. With the improving security situation, we are also seeing fresh interest developing in Pakistan's potential as a hub for international tourism. International air carriers are commencing operations in Pakistan after a long hiatus. Pakistan's diverse natural and cultural heritage has rich untapped potential around which tourism products can be developed. Efforts directed towards this sector will bring valuable foreign exchange, generate employment opportunities and boost our Nation's international image.

In the financial sector, there is ample room to capitalize on opportunities for growth. The Islamic Banking sector is one such area that is rich with potential. Pakistan's Islamic Banking network fuelled by a vigorous demand for dynamic Islamic financial solutions marches steadily onwards. The recent pertinent decision of the Government to launch PKR 200 billion in Sukuk bonds for the power sector breaks new ground for Islamic Banking. At MCB Bank, the transfer of 90 branches to our wholly owned subsidiary MCB Islamic Bank is indicative of our confidence in the promise of Islamic financing. We anticipate this sector will be central to efforts linked with boosting financial inclusion, particularly in rural localities.

As one of Pakistan's foremost financial institutions, MCB Bank Limited is poised to take full advantage of emerging prospects. It is worth noting the great role our Board of Directors play in the Bank's success. As always, the MCB Board has displayed great acumen and unmatched standards of ethical and professional conduct in the oversight and management of the organization. This dedication has proved to be invaluable for preserving the interests of our shareholders.

For the purpose of Board evaluation, a comprehensive criterion has been developed as per regulator's guidelines and international best practices. The Board has carried out self-evaluation and overall performance of the Board measured on the basis of approved criteria was excellent.

The Board has ensured good corporate governance by maintaining high levels of professional and business conduct, implementing effective internal controls and audit functions including risk management framework. It has successfully steered and executed the Bank's strategy while ensuring that the vision, mission and core values of the Bank are never compromised upon. It has also closely reviewed policy-related matters with long-term implications as per regulatory obligations which also meet the Bank's operational requirements. Sub-Committees have been duly constituted with a defined scope of work to ensure that they perform their prescribed functions precisely and efficiently as per their mandate and respective terms of reference.

Despite the challenges and opportunities we anticipate in the future, we are confident that the Bank will continue to move towards greater heights of success. With our diversified Board of Directors, innovative product portfolio, unparalleled emphasis on service and unflinching focus on excellence, we endeavor to succeed and thrive, no matter the conditions or environment.

Mian Mohammad Mansha
Chairman
MCB Bank Limited



President's Review

Our reputation is our most treasured asset and the foundation upon which we have built our Bank and its legacy of excellence. We know that the only way to protect and improve our reputation is to exceed our valued customers' expectations, meet our commitments, innovate in our business and deliver tangible results. By best understanding and embracing our customers' needs we have over the years succeeded in building stronger and lasting relationships and raising the benchmark for quality in the Pakistan banking sector.

2018 was another year of great challenges and adverse economic conditions but our numbers demonstrate the tenacity of our capable leadership team to deliver coveted financial results. The sustainable growth in our profitability and financial position depicts our customers' faith in our innovative financial solutions and the dedication and hard work of our passionate and talented teams. We have a history of delivering outstanding results and making our stakeholders truly believe that MCB is their Bank for Life.

Our track record of delivering superior returns to all our stakeholders continued this year as well. During 2018, our financial performance and balance sheet strength allowed us to return significant capital to our shareholders in the form of dividends, which totaled Rs. 18.96 billion. MCB Bank reported a profit before tax of Rs. 32.1 billion (+3%) and profit after tax of Rs. 21.4 billion (-5%) while the assets of the Bank grew by 12% to Rs.1.5 trillion over last year. In comparison with 2017, net interest income grew to Rs. 46 billion registering a growth of 8%, with Return on Assets (ROA) and Return on Equity (ROE) of 1.5% and 15.5%, respectively. Our results reflect the underlying strength and earning potential of the Bank, which we believe will bear even more fruitful results next year in a rising interest rate environment.

Our capital is at industry-leading levels and significantly above the requirements of the regulator, which is indicative of our institutional strength and fiscal health. We continue to prudently manage risk throughout the Bank while maintaining a strong risk management culture. Being on the front line against financial crime, we at MCB Bank take our responsibility to our customers and stakeholders seriously and ensure meticulously that every activity passes through a stringent compliance filter. Exceptional efforts have been made in reducing the size and volume of the portfolio of questionable transactions with continuing improvements in credit quality across major consumer, commercial and corporate portfolios.

Our deposit base, with a 91% concentration in CASA, is one of the highest in the banking industry and demonstrates the loyalty of our customers, which has been earned through premium banking services and growing accessibility to our matchless banking solutions through our wide branch and ATM network. Trade and Home Remittance businesses have also contributed significantly to our formidable fiscal performance, as in 2018 MCB Bank witnessed a growth of 34% in terms of Home Remittance volumes, which also positively impacted our market share that increased phenomenally from 12% to 15% during the year. Due to this, we are proud to be the leading recipients of remittances in the banking industry. Another first, was the significant performance of our MCB Cash Management services, which crossed an annual volume of PKR 1.6 trillion in 2018 which is the highest ever in the history of the Bank.

MCB remained active throughout Pakistan, UAE and Sri Lanka through our diverse network of 1,400 branches (including 13 sub-branches) and more than 1,300 ATMs. Another major leap by MCB Bank during 2018 was the transfer of 90 branches from MCB Bank Limited to our wholly owned subsidiary MCB Islamic Bank Limited. This was in acknowledgement of our customers' desire to satisfy their growing need of financial solutions that conform with Shari'ah rulings and our confidence in the potential of the Islamic Banking industry in the country. We continue to explore investment opportunities within and outside Pakistan in order to further expand our local and international footprint while strengthening our outreach beyond our existing network. We believe that there are significant opportunities for MCB in the medium to long term across our entire footprint and beyond.

Our efforts to improve the internal operational environment of MCB Bank were recognized at many different forums. The strength of our Bank was reaffirmed by the Pakistan Credit Rating Agency (PACRA), which maintained our 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, including Asiamoney who honoured MCB as the "Best Domestic Bank of the Year 2018" while FinanceAsia conferred upon MCB the "Best Bank in Pakistan 2018" award. For the sixth consecutive year, the joint committee of Institute of Chartered Accountants of Pakistan & Institute of Cost and Management Accountants of Pakistan (ICAP/ICMAP) awarded MCB Bank with the "Best Corporate Report" award in Financial Sector category for MCB's 2017 Annual Report. These and many other awards encourage us to continue to pursue the strategies that have served us and our stakeholders well throughout our rich history.

Our results are demonstrative of the competent execution of well-defined strategies and provide us assurance that we are indeed on the right track to achieve and deliver on future goals and milestones. We are proud to carry a balanced mix of resources to generate consistent value for our stakeholders. MCB is well positioned to benefit from the gradual transformation that is taking place in the banking landscape with due focus on the delivery of the existing infrastructure. Macroeconomic imbalances have made the operating environment more demanding for financial institutions; however, based on our forward looking and proactive approach we are well poised to

deliver in even trying circumstances. We remain committed to providing tailored financial products to our vast customer base while safeguarding them from ever-growing global cyber security threats. Such a challenging operating environment encourages us to be more responsive and innovative in our efforts to meet and exceed customer expectations.

We are moving today into a smart world driven by data and technology and the banking industry has been at the forefront of this change. This makes it incumbent for us to keep abreast of the latest developments that are driving change in the banking sector in this highly competitive and fast changing business environment. Our Digital Banking platform has created one of the most vibrant, secure and flexible payment ecosystems in the sector and provides transactional convenience to our large customer base.

We highly value the trust that our customers place in us as this has been achieved through decades of consistent results and continuous improvement in our service quality levels. In 2018, our customer base expanded to 7.8 million accounts which is further testament to our customers' confidence in MCB. We have performed well in our Consumer Lending segment as depicted by 17% YoY growth in credit card portfolio and increase in Auto loans respectively. As one of our key income drivers, the Bank has been strategically focused on Bancassurance which touched new highs in the year 2018.

Our employees are undoubtedly the core asset of our Bank and I acknowledge their hard work and dedication in elevating our profile. During the year, employees' development and trainings remained our highest priority as the commitment and professionalism of our team is our distinct strategic advantage. We are acutely aware of the importance of retaining and attracting the best talent.

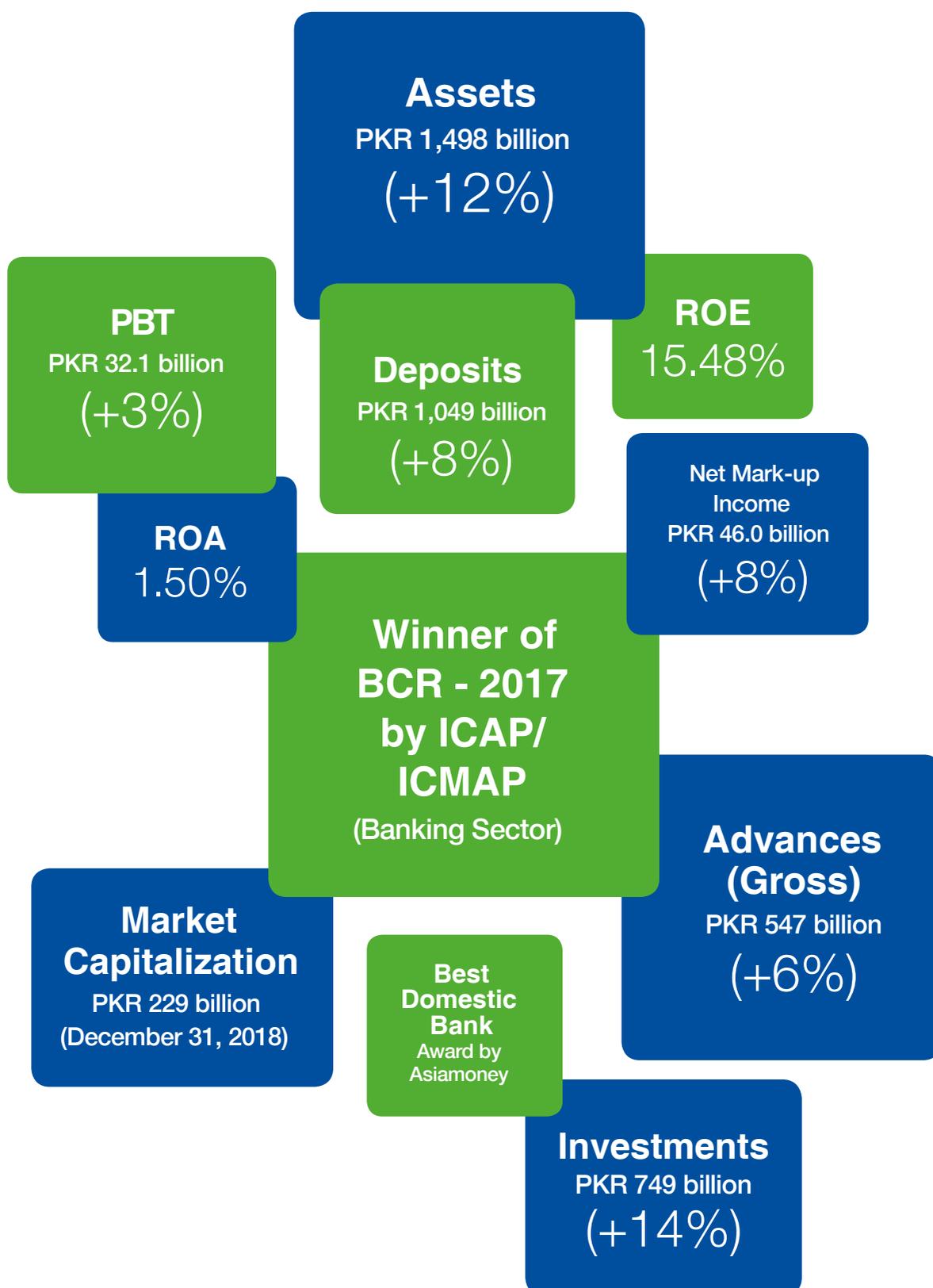
The current economic turbulence, commodity price fluctuations, tax reforms, current account deficit, law and order situation, etc. are amidst the many challenges facing the economy and the banking sector. However, with the best professional management and a proactive approach, we possess the ability to take MCB to even greater new highs. We are determined to fulfill our customer needs and ensure our brand promise: 'Bank for Life'.

Lastly, I would like to acknowledge the guidance of the Chairman, Board of Directors and foreign partners for their contributions in making 2018 yet another profitable year for MCB. The dedication and hard work of our team strengthens our belief that we are One Bank and One Team. The confidence of our customers is our pride and we are passionate to serve them with increased diligence and interest. With our energy, team work, commitment and unity of purpose, I have no doubt that we will always go the extra mile to meet and exceed the expectations of our shareholders, customers, employees and regulators.

Imran Maqbool
President & CEO
MCB Bank Limited

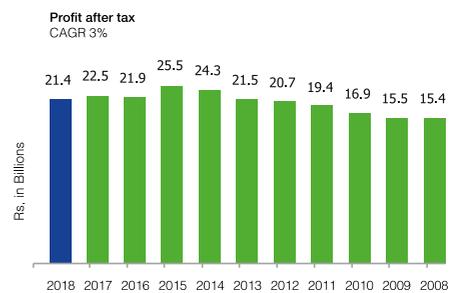
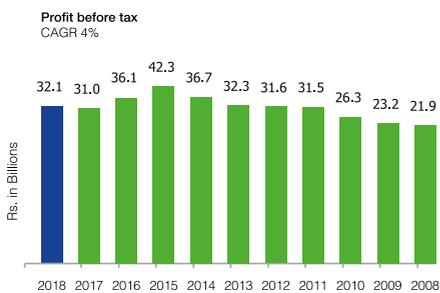
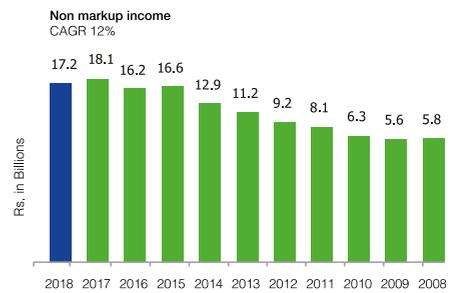
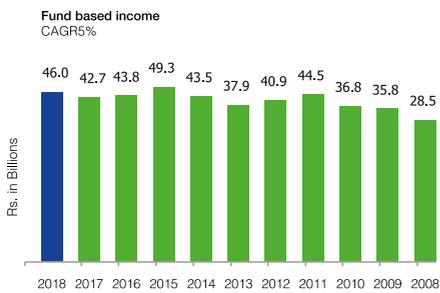
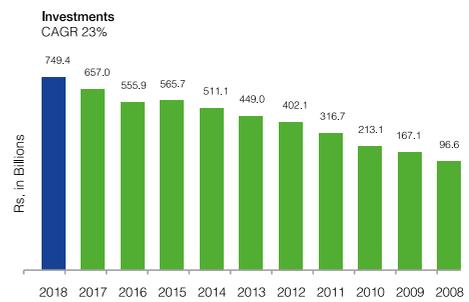
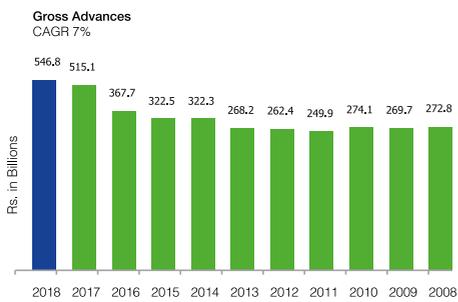
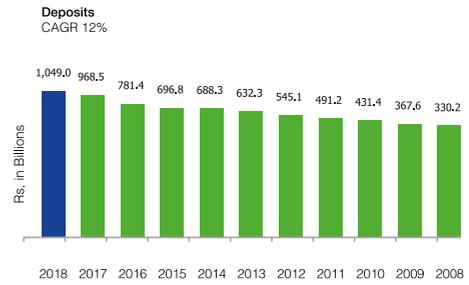
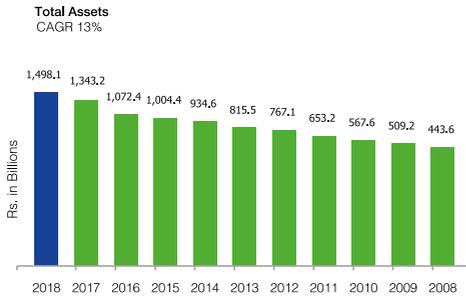
Highlights

2018



Financial Performance 2008 - 2018

10 Years Trend



Forward Looking Statement

The Annual Report-2018 of MCB Bank Limited carries forward looking statements in its different sections. Since there are uncertainties related to occurrence of the future events, those should be read in conjunction for decision making by the users of the Annual Report. Forward looking statements contain words such as 'expect', 'anticipate, believe, seek, will, may, would, presume, assure, hope, so on and so forth. A forward-looking statement naturally addresses matters that are, to certain degrees, uncertain and may not happen. In most cases, a forward-looking statement is made in respect of Bank's expected income, earnings, business growth, horizontal expansion, cost structure, capital structure, dividends etc. Such a statement is made based on some assumptions about future events which may or may not happen.

Pakistan economy future outlook

As 2018 comes to a close, all global economic forecasters have revised down the expected economic performance of the country citing shrinking foreign exchange reserves and a high debt burden amongst other factors. The World Bank, International Monetary Fund (IMF) and the Asian Development Bank have brought down the GDP growth forecast by 2-3%. Reputable credit rating agencies Moody's and Fitch Ratings have downgraded Pakistan to the lower end of the highly speculative grade. However, the central bank and the government have taken measures to correct the imbalances in the economy. Going into the year 2019, we believe that these steps will help contain aggregate demand and put the economy on a long-term growth trajectory again.

MCB future outlook

Despite fragile economic conditions resulting in subdued business activity, the Bank is committed to deliver exceptional results to its shareholders in 2019. We are committed in expanding our network of branches to meet our valuable customers' expectations with parallel investment on the digital infrastructure. We would continue to improve our asset quality, increasing low cost deposit base, deploying cost efficient techniques and increasing contribution from non-markup segment. We are exceedingly focused in increasing low cost CASA base to increment our net interest margins.

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

Recovery from infected portfolio would remain one of the key targets in 2019. We would continue adding products and services to our menu and anticipate significant growth in our non-fund based income. Our special emphasis is on increasing our digital banking range to align ourselves with the ever changing business dynamics. Our dedicated team of professionals would take every possible opportunity to serve our esteemed customers.

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.

Our employees are undoubtedly the core asset of our Bank and we acknowledge their hard work and dedication in elevating our Bank. Employees' development and trainings would remain our foremost priority as committed and professional team is our strategic advantage. We would acutely remain conscious in retaining and attracting the best talent.

A well-outlined business strategy is essential for the success and sustainability of any business venture. Without one, organizations can lack direction, efficiency and profitability. MCB has the right strategy in place to deliver superior returns to our shareholders. We would remain aligned with our strategic objectives in order to meet our valuable stakeholders' expectations.

Uncertainties that could affect the Bank's resource, revenues and operations

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

Discount rate / Monetary Policy: Based on different assessment parameters, the State Bank of Pakistan can change the monetary policy rate. Any decrease in the discount rate will result in lower net interest income and reduce the profitability of the Bank. Impact of 1% change in interest rate is around Rs. 2.6 billion on profit and loss account of the Bank.

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

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

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

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

Status of projects disclosed in the forward-looking statement of previous year:

Details of last year projects	Status
Implementation of new ATM controller and Card Hosting system	In process
Revamp of Lahore call center	Completed
Launch of Master Debit Card	Completed
Home remittance in mobile wallets	In process
Demerger of 90 branches from MCB Bank Limited	Completed

Performance of the Bank against forward-looking disclosure of 2018 as presented in Annual Report 2017

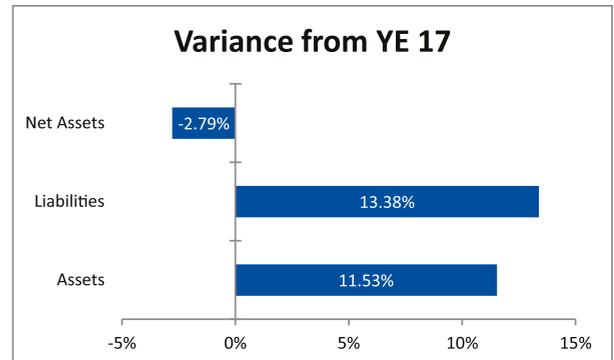
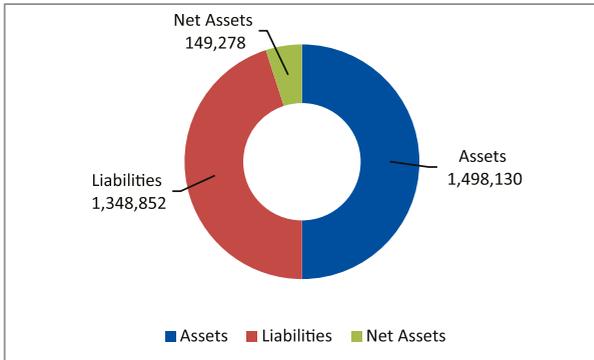
Forward-looking disclosure for 2018 as presented in annual report 2017	Performance of the Bank in 2018 against forward-looking disclosure
<p>Going into the year 2018, we are optimistic about the outlook for the local economy. Although inflation is expected to rise owing to higher international oil prices, greater aggregate demand and the depreciation of the PKR versus the dollar, we expect the economy to continue its growth momentum. The benefits of the China Pakistan Economic Corridor (CPEC) and other infrastructure projects will be more increasingly felt during the year as they inch closer to completion. Moreover, the depreciation of the currency will also help address the external imbalances of the country, improving the country's export competitiveness and reducing imports.</p> <p>Despite adverse indications relating to the external current account, trade balance, and anticipated interest rate volatility, the Bank is committed to delivering exceptional results to its shareholders in 2018. We are committed to expanding our network of branches to meet our valuable shareholders' expectations. We would continue improving our asset quality, increasing deposit base, deploying cost-efficient techniques and increasing contribution from non-markup. We are exceedingly focused on increasing low-cost CASA base to increment our net interest margins.</p> <p>Credit appetite being a mainstream business line of the Bank, carries a strategic focus to avail all opportunities that fall within the risk appetite defined by the institution. We would remain dynamic and persistent in retail banking, corporate banking, SME financing and agricultural credit. We are deepening the consumer market penetration through increased focus on consumer lending.</p> <p>Recovery from infected portfolio would remain one of the key targets in 2018. We would continue adding products and services to our menu and anticipate significant growth in our non-fund based income.</p>	<p>MCB Bank Limited was marked as the bank with highest profitability numbers for the year 2018. On an unconsolidated basis, the Profit Before Tax (PBT) of the Bank grew by 3% over last year and was reported at Rs. 32.06 billion.</p> <p>During the calendar year 2018, the significant change in the macro-economic factors made the operating environment more challenging with discount rate registering a steep increase of 425 bps in absolute terms. Based on the anticipated interest rate movement, the Bank focused on asset base with shorter maturities, resulting in 8% increase in net interest income over last year. On the gross markup income side, the Bank reported an increase of Rs. 9.2 billion over last year. Analysis of the interest earning assets highlights that income on advances increased by Rs. 10 billion, primarily on account of improved average advances volume of Rs. 83 billion coupled with increased yield of 92bps. On the investment side, gross markup income decreased by Rs. 2.2 billion, due to decreased average volume of Rs. 66 billion. On the interest bearing liabilities side, the cost of deposits increased by 69bps over last year, to corroborate to the increasing interest rates. Continuing with its strategy to focus on low cost deposit base, the Bank increased its average deposits by Rs. 123 billion when compared with last year with major contribution from saving and current account portfolio. Average borrowings volume registered a significant decline of Rs. 84 billion over last year.</p> <p>The non-markup income block of the Bank was reported at Rs 17.2 billion with major contributions coming in from fee, commission income and income from dealing in foreign currencies. As focus on cross sell of products and services continued to rise, fee income increased by 10% with major contributions from card related fee remittances, cash management, commission on trade and bancassurance. Subdued activity on the capital market front impact the gains, however, the bank capitalized on the significant volatility on the foreign exchange front, with foreign exchange income reflecting an increase Rs. 1.8 billion (+109%) over last year.</p> <p>On the administrative expenses side excluding pension fund, despite the surge in inflationary pressures coupled with significant devaluation and increase in operational outreach, the Bank was able to contain the growth percentage to 10%. Barring the cost of regulatory revision on account of</p>

Forward-looking disclosure for 2018 as presented in annual report 2017	Performance of the Bank in 2018 against forward-looking disclosure
<p>Our special emphasis is on increasing our digital banking range to align ourselves with the ever-changing business dynamics.</p> <p>We are committed to maintaining our status of one of the leading banks operating in Pakistan through enriched service quality, financially viable tailored products to meet requirements of our esteemed customer and translating the underlying financial strength of the entity into profits.</p>	<p>deposit protection premium introduced in July 2018, the increase in administrative expenses dropped to 8.27%. On the pension charge front, the Bank recorded past service cost amounting to Rs. 1.044Bln on account of revision in monthly pension for its pensioners, as per the direction of the Honorable Supreme Court.</p> <p>On the provision side, the recovery trend in the classified portfolio continued to reflect on the profitability numbers with Rs. 2.9 billion reversal.</p> <p>On the financial position side, the total asset base of the Bank on an unconsolidated basis was reported at Rs. 1.5 trillion depicting a significant increase of 12% over December 2017. Analysis of the asset mix highlights that net investments have increased by Rs. 92.4 billion (+14%) whereas advances have increased by Rs. 34.2 billion (+7%) over December 31, 2017. Investment mix continued to shift from long-term PIBs to the short-term T-Bills during the year in the wake of rising interest rate scenario. Resultantly investment in T-Bills increased by Rs. 194 billion whereas investment in PIBs decreased by Rs. 95 billion.</p> <p>The Non-performing loan base of the bank almost remained static with marginal increase of Rs. 203 million and was reported at Rs. 48.9 billion. The coverage and infection ratios of the Bank were reported at 88.26% (Dec 2017: 93.74%) and 8.95% (Dec 2017: 9.47%) respectively.</p> <p>On the liabilities side, the deposit base of the Bank registered a significant increase of Rs. 81 billion (+8%) over December 2017. The increase of Rs. 81 billion is net of the deposits amounting to Rs. 22 billion transferred to MCB's wholly owned subsidiary MCB Islamic Bank Limited under the scheme of demerger sanctioned by the Lahore High Court.</p> <p>While complying with the regulatory capital requirements, the Bank has paid the highest cash dividend per share in the industry with regular interim dividends and remains one of the prime stocks traded in the Pakistani equity markets. Bank's total Capital Adequacy Ratio is 18.13% against the requirement of 11.90% (including capital conservation buffer of 1.90%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 16.02% against the requirement of 6.00%. Bank's capitalization also resulted in a leverage ratio of 7.09% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 178.70% and Net Stable Funding Ratio (NSFR) of 130.6% against requirement of 100.</p> <p>Earnings per share (EPS) for the year ended December 31, 2018 was Rs. 18.02 as compared to Rs. 19.56 for 2017. Return on Assets and Return on Equity were reported at 1.5% and 15.5% respectively, whereas book value per share was reported at Rs. 117.74.</p> <p>In 2018, customer base of the Bank expanded to 7.8 million accounts demonstrating customers' confidence in MCB. The Bank performed well in Consumer Lending and Wealth Management businesses. A 17% YoY growth was recorded with 15,245 credit cards issued during the year while 8,266 auto loans were disbursed in 2018. Likewise Investment Services and Bancassurance businesses registered new sales of Rs. 3.5 billion and Rs. 2.4 billion, respectively.</p> <p>The number of MCB Mobile banking active customers increased to 1.2 million in 2018. MCB remained active throughout Pakistan, UAE and Sri Lanka through diverse network of 1,400 branches (including 13 sub-branches) and more than 1,300 ATMs. Another major leap by MCB Bank during 2018 was the transfer of 90 branches from MCB Bank Limited to wholly owned subsidiary MCB Islamic Bank Limited. This was in acknowledgement of customers' desire to satisfy their growing need of financial solutions that conform to Shari'ah rulings.</p>

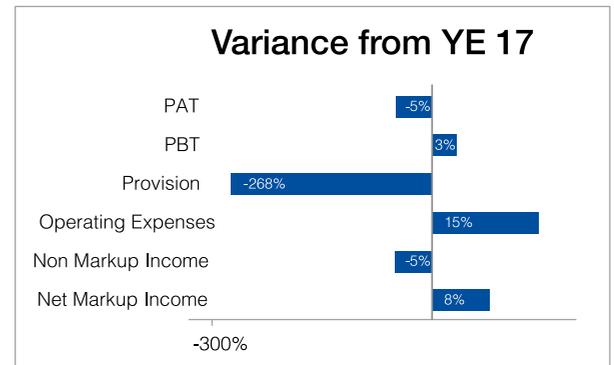
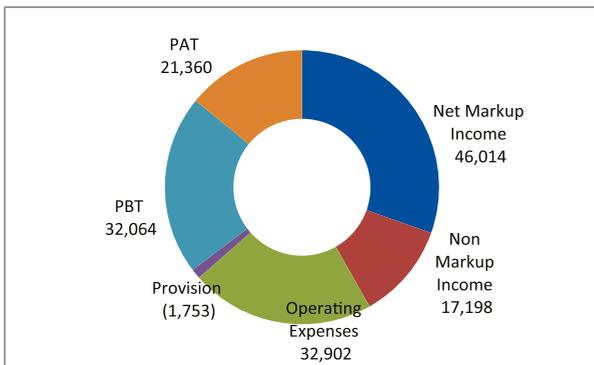
Forward-looking disclosure for 2018 as presented in annual report 2017	Performance of the Bank in 2018 against forward-looking disclosure
	<p>Trade and Home Remittance businesses have also contributed significantly to formidable fiscal performance, as in 2018 MCB Bank witnessed a growth of 34% in terms of Home Remittance volumes, which also positively impacted market share of the Bank that increased phenomenally from 12% to 15% during the year. Due to this, the Bank became the second largest recipients of remittances in the banking industry. Another first, was the significant performance of MCB Cash Management services, which crossed an annual volume of PKR 1.6 trillion in 2018 which is the highest ever in the history of the Bank.</p> <p>Detailed analysis covering performance and achievements of respective groups against their targets for 2017 is included in the Groups' review section of this annual report.</p>

Graphical Presentation of Financial Statements

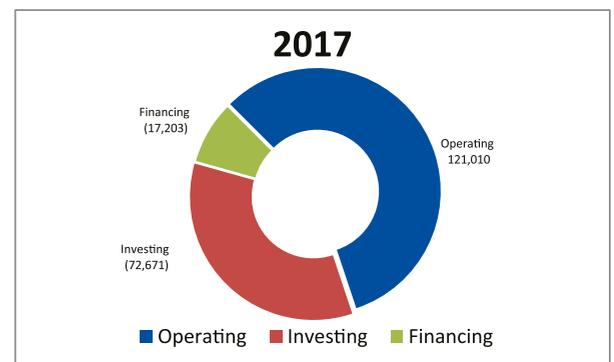
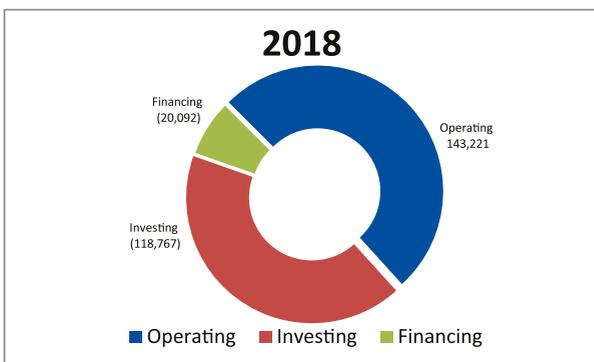
Statement of Financial Position (Rs. in Millions)



Profit & Loss Account (Rs. in Millions)



Cash Flows (Rs. in Millions)



Analysis of Financial Performance

The total asset base of the Bank on an unconsolidated basis was reported at Rs. 1.5 trillion depicting a significant increase of 12% over last year. Net investments have increased by Rs. 92.4 billion (+14%) whereas advances have increased by Rs. 34.2 billion (+7%) over December 31, 2017. Investment mix continued to shift from long-term PIBs to the short-term T-Bills during the year in the wake of rising interest rate scenario. Resultantly investment in T-Bills increased by Rs. 194 billion whereas investment in PIBs decreased by Rs. 95 billion.

Continuing with its strategy to focus on low cost deposit base, the Bank increased its average deposits by Rs. 123 billion when compared with last year with major contribution from saving and current account portfolio. Average borrowings volume registered a significant decline of Rs. 84 billion over last year.

The Non-performing loan base of the bank almost remained static with marginal increase of Rs. 203 million and was reported at Rs. 48.9 billion. The coverage and infection ratios of the Bank were reported at 88.26% (Dec 2017: 93.74%) and 8.95% (Dec 2017: 9.47%) respectively.

Profit after tax of the Bank was reported at Rs. 21.4 billion registering a decrease of 5% over last year whereas Profit before tax was reported at Rs. 32.1 billion, up 3% YoY. NIM has picked an upward momentum on account of steep increase in interest rates as it increased by 8% over 2017.

The Bank reported an increase of Rs. 9.2 billion over last year in markup income. Income on advances increased by Rs. 10 billion, primarily on account of improved average advances volume of Rs. 83 billion coupled with increased yield of 92bps whereas markup income on investments decreased by Rs. 2.2 billion, due to decreased average volume of Rs. 66 billion.

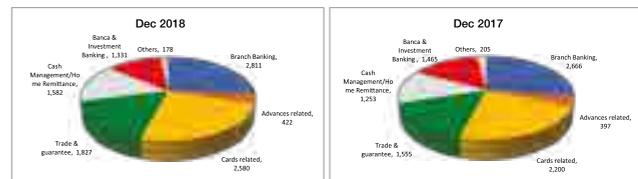
Mark-up/return/interest earned	Rs in million			
	2018	2017	Variance	
			Amount	%age
Loans and advances	36,964	26,931	10,033	37%
Investments	44,719	46,876	(2,156)	-5%
Lendings to financial institutions	1,390	174	1,217	700%
Balances with banks	246	111	135	122%
	83,319	74,091	9,228	12%

The Bank reported an increase of Rs. 5.9 billion over last year in markup expense. Markup expense on deposits increased by Rs. 9.9 billion whereas markup expenses on borrowings decreased by 4.6 billion. The cost of deposits increased by 69bps over last year.

Mark-up/return/interest expensed	Rs in million			
	2018	2017	Variance	
			Amount	%age
Deposits	32,081	22,105	9,976	45%
Borrowings	4,253	8,837	(4,584)	-52%
Subordinated debt	306	138	170	123%
Cost of foreign currency swaps	663	349	314	90%
	37,305	31,429	5,876	19%

The non-markup income block of the Bank was reported at Rs 17.2 billion with major contributions coming in from fee, commission income and income from dealing in foreign currencies. Fee income increased by 10% with major contributions from card related fee, remittances, cash management, commission on trade and bancassurance. Subdued activity on the capital market front impact the gains, however, the bank capitalized on the significant volatility on the foreign exchange front, with foreign exchange income reflecting an increase Rs. 1.8 billion (+109%) over last year.

Non mark-up / interest income	Rs in million			
	2018	2017	Variance	
			Amount	%age
Fee and commission income	10,731	9,741	990	10%
Dividend income	1,280	1,941	(661)	-34%
Foreign exchange income	3,420	1,636	1,784	109%
Income from derivatives	12	15	(4)	-24%
Gain on securities	1,293	4,741	(3,448)	-73%
Other Income	462	43	419	976%
Total non-markup / interest Income	17,198	18,118	(920)	-5%



The increase in administrative expense base was contained at 10% YoY, despite inflationary surge coupled with significant devaluation and increase in operational outreach of the Bank (excluding pension fund reversal). Major increase was attributed to property related segment as the inflationary and operational outreach increase directly impacts this cost base. During the year, the Bank recorded additional charge on account of pension fund reversal to comply with the decision of the Honorable Supreme Court of Pakistan relating to minimum pension.

Explanation of negative change in the performance against prior year

During the year capital gains and dividend income decreased over last year due to weak performance of Pakistan Stock exchange and lower capital gain from money market. Profit after tax for 2018 was on lower side as compared to last year due to higher tax reversal in 2017.

Analysis of Non-Financial Performance

Human capital

Total number of permanent employees	Investment in training (Rs. In Mln)	Total days of Training	New recruitments	Promotions
12,860	51,038	33,245	2,038	1,767

Our permanent employees, numbering 12,860 receive well remunerated, secure and satisfying employment with generous retirement benefits.

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

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

		2018	2017
Staff strength	Absolute	12,860	13,155
New recruitments	Absolute	2,038	4,029
Average number of employees	Absolute	12,868	12,234
Promotions	Absolute	1,767	1,897
Investment in training	(Rs. In Mln)	51,038	60,098
Training days	Absolute	33,245	36,137

Manufactured Capital

Capital expenditures on physical and digital infrastructure	Branches excluding sub-branches	ATMs	Internet Banking customers	Mobile Banking customers
Rs. 4,483 million	1,387	1,321	176,210	1,363,304

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

During the year, Bank has expanded its network by 33 branches (excluding 90 branches transferred to MIB). In 2018, customer base of the Bank expanded to 7.8 million accounts.

The banking model is changing from old traditional banking to digital era. Hence, to cater to the growing segment of millennials among our customers, who are demanding more of the new era banking, during the year we made a huge investment in upgrading our digital infrastructure. In line with the current trends in the industry we made considerable progress in our digitisation initiatives during the year.

	2018	2017
Capital expenditure - Rs. in Million	4,483	4,745
Branches*	1,387	1,444
ATMs	1,321	1,377
Internet Banking	176,210	163,273
Mobile Banking	1,363,304	1,232,258

*During the year 90 branches had been transferred to wholly owned subsidiary "MCB Islamic Bank".

Intellectual capital

Cumulative service experience of more than 71 years	Strong governance	One of the most valuable brand
---	-------------------	--------------------------------

Intangibles associated with the Bank – culture, ethics, values, organizational knowledge, systems, procedures and brand value. These intangibles, while not reflected in the balance sheet, are indeed assets of the Bank. They permeate the Bank's operations at all levels – whether it is high level decision-making or day-to-day functions.

In FY18, we have focused on following points to enhance of our intellectual capital:

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

Furthermore during the year, the total expense on intangible assets is Rs. 221.949 million as compared to Rs. 304.492 million in FY17.

Social and Relationship Capital

No. of accounts	Dividends to shareholders (Rs. In Mln)	CSR funds (Rs. In Mln)
7,854,928	18,961	10,820

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

		2018	2017
No. of accounts	Absolute	7,854,928	7,607,277
Dividends to shareholders	(Rs. In Mln)	18,961	18,385
CSR funds	(Rs. In Mln)		
Education Allowance		28	29
Staff Capacity Building & Trainings		51	60
Employee Hajj Expense		8	5
Contribution to National Exchequer		10,704	8,555
Contribution To Staff Welfare Fund		5	5
Donation		1	12
Plantation		23	22
Total		10,820	8,688

Maturities of Assets and Liabilities

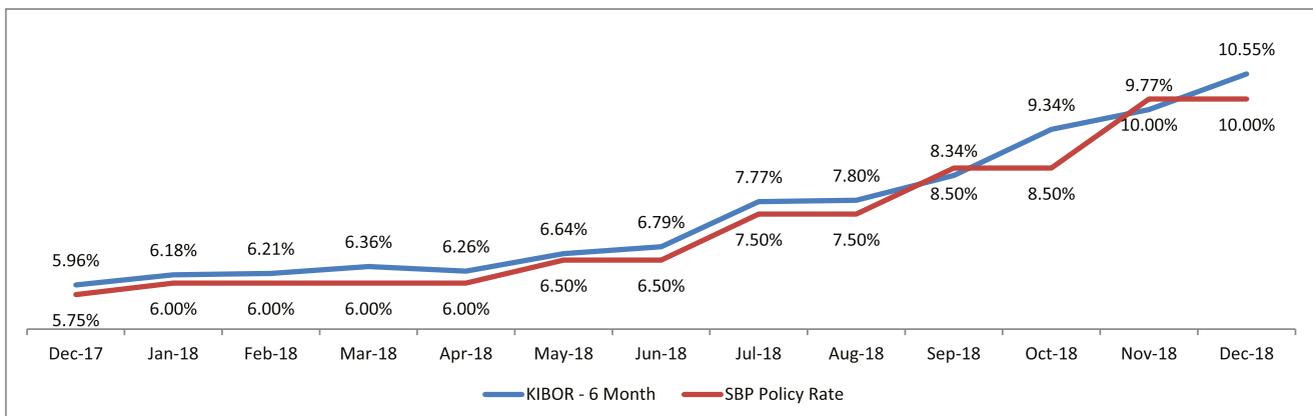
	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
Assets (PKR Mn)					
2018					
Cash and balances with treasury banks	103,175	103,175	-	-	-
Balances with other banks	11,879	11,879	-	-	-
Lendings to financial institutions	35,106	35,106	-	-	-
Investments - net	749,369	582,522	55,367	57,960	19,693
Advances - net	503,581	143,344	77,490	157,314	72,118
Fixed assets	41,070	869	2,608	2,543	3,118
Intangible assets	372	64	192	117	-
Deferred tax assets	3,277	571	1,536	807	97
Other assets - net	53,578	30,805	10,406	4,349	8,018
	1,501,407	908,336	147,600	223,089	103,043
					119,339

Liabilities (PKR Mn)					
Bills payable	15,699	15,699	-	-	-
Borrowings	216,019	193,907	9,145	3,146	3,098
Deposits and other accounts	1,049,038	142,709	141,386	460,232	228,782
Sub-ordinated loan	3,891	-	2	3	3,886
Deferred tax liabilities	4,809	26	78	211	1,715
Other liabilities	62,673	39,363	9,085	5,078	7,901
	1,352,129	391,704	159,696	468,670	245,382
					86,677

* Based on expected maturities

Key Interest Bearing Assets and Liabilities

	2018			2017		
	Avg. Vol (Mn)	Effective Interest Rate %	Interest (Mn)	Avg. Vol (Mn)	Effective Interest Rate %	Interest (Mn)
Interest Earning Assets						
Lendings to Financial Institutions	20,204	6.88	1,390	4,277	4.06	174
Gross Advances (excluding NPLs)	478,600	7.72	36,964	395,631	6.81	26,931
Gross Investments (excluding equity investments)	591,619	7.56	44,719	657,401	7.13	46,876
Interest Bearing Liabilities						
Deposits (excl. current deposits)	623,707	5.14	32,081	544,318	4.06	22,105
Borrowings	88,332	4.81	4,253	172,757	5.12	8,837
Subordinated loan	3,892	7.91	308	1,888	7.31	138

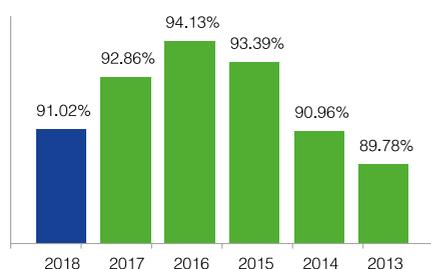


Deposits & Advances

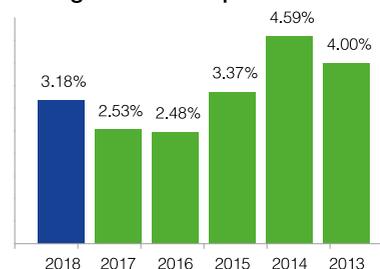
Rs. in Billion

	Groupwise Deposits				Groupwise Advances			
	2018	2017	Variance		2018	2017	Variance	
			Amount	%			Amount	%
Commercial & Consumer	969.4	891.8	77.6	8.71%	139.0	128.0	11.0	8.58%
Corporate	41.4	47.1	-5.7	-12.05%	349.6	328.4	21.1	6.44%
Overseas	38.2	29.6	8.6	28.97%	28.6	27.8	0.9	3.19%
Others	-	-	-	-	29.6	30.8	-1.3	-4.15%
Total	1,049.0	968.5	80.6	8.32%	546.8	515.1	31.7	6.16%

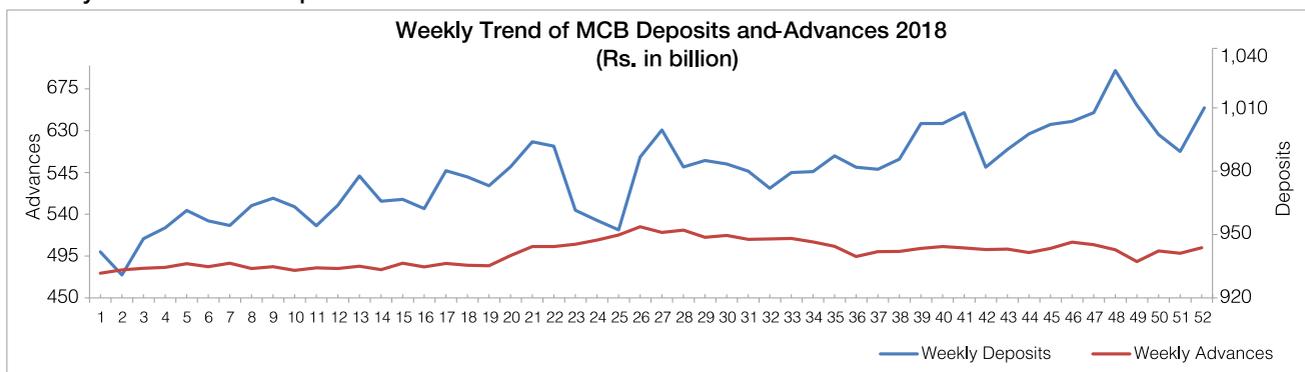
CASA Mix



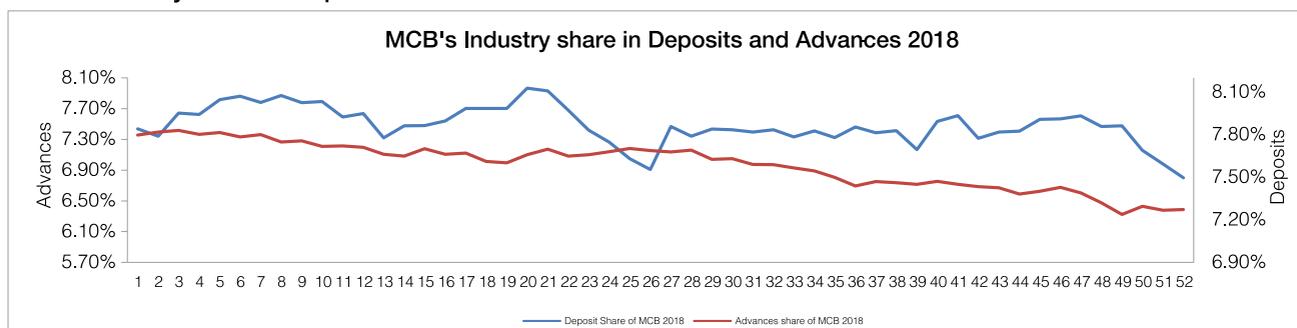
Weighted Average Cost of Deposits



Weekly Trend of MCB Deposits and Advances - 2018



MCB's Industry Share in Deposits and Advances - 2018

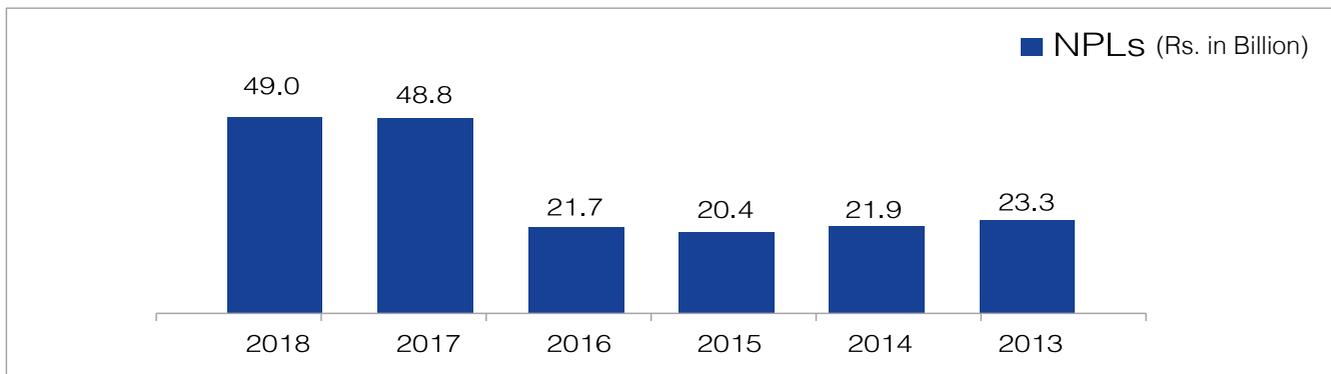


Non-Performing Loans

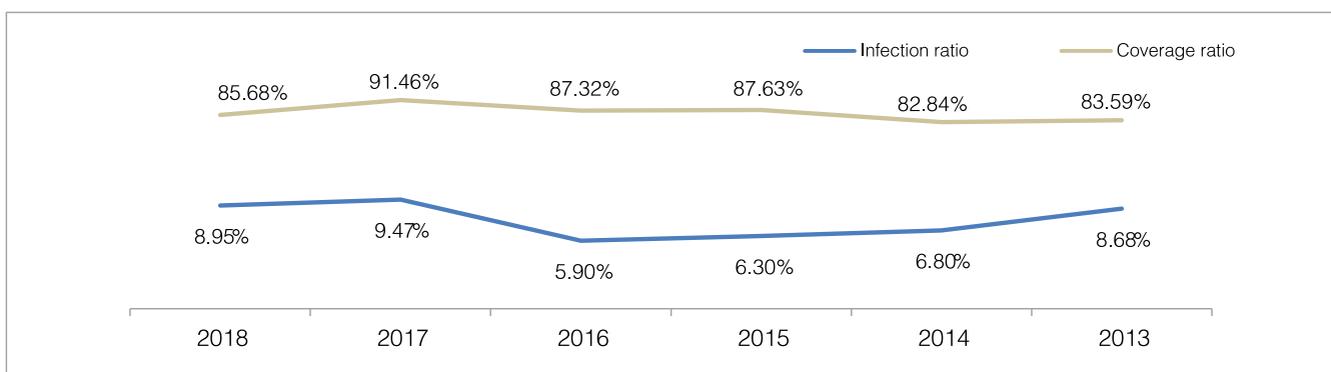
Rs. in Million

Categorywise	2018		2017		Variance		2018
	NPLs	Provision	NPLs	Provision	NPLs	Provision	Coverage
OAEM	49	3	171	10	-71.3%	-69.8%	6.1%
Substandard	1,528	375	552	137	176.9%	173.3%	24.5%
Doubtful	1,742	871	563	281	209.4%	209.4%	50.0%
Loss	45,637	40,696	47,467	44,158	-3.9%	-7.8%	89.2%
Total	48,956	41,945	48,753	44,587	0.4%	-5.9%	85.7%

Non Performing Loans (2013-2018)



Infection and Coverage Ratios (2013-2018)



Investments

Top 10 Listed Equity Holdings as on December 31, 2018

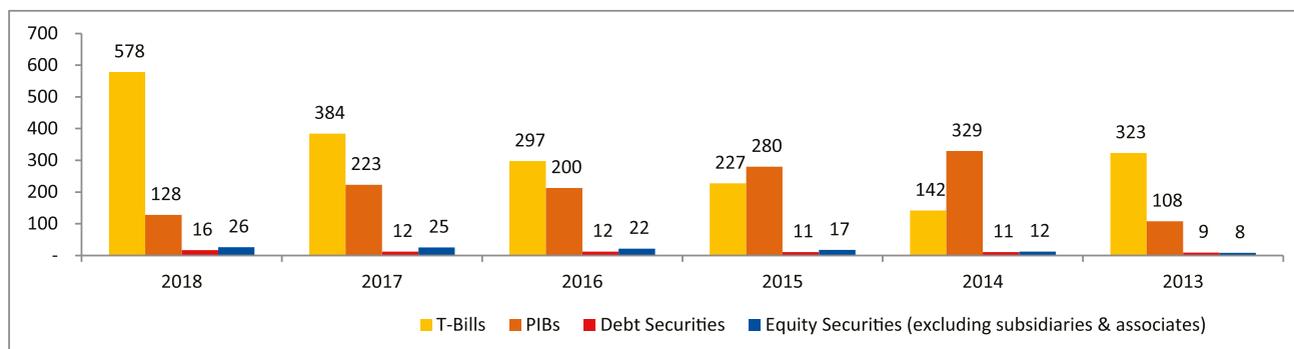
Company Name	Total Shares (number)	Book Value (Rs. Mln)	Market Value (Rs. Mln)
Kot Addu Power Company	15,662,000	1,344	776
Fauji Fertilizer Company Limited	10,094,000	1,162	937
Oil & Gas Development Company Limited	6,414,535	1,149	821
Sui Northern Gas Pipelines Limited	14,432,010	793	1,112
HBL Growth Fund-Class "A"	43,482,858	744	500
Allied Bank Limited	6,660,400	720	716
Engro Fertilizers Limited	8,936,000	718	617
Lucky Cement	847,400	659	368
Millat Tractors Limited	505,200	592	420
Rafhan Maize Products Limited	72,277	588	488

Investment in Associates and Subsidiaries

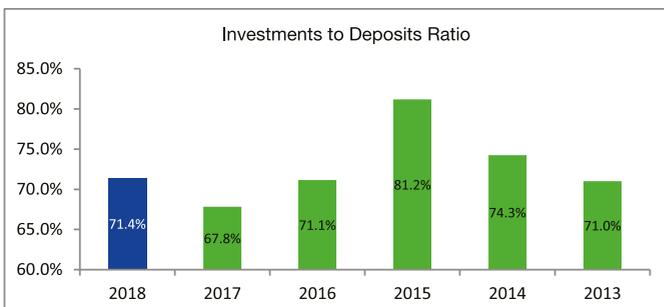
Company Name	Holding	Total Share (numbers)	Book Value (Rs. Mln)
Associates			
Adamjee Insurance Company Limited	20.00%	70,000,000	647.88
Euronet Pakistan (Pvt.) Limited	30.00%	52,521	52.52
Subsidiaries			
MCB - Arif Habib Savings & Investments Limited	51.33%	36,956,768	320.12
MNET Services Limited	100.00%	4,997,500	49.98
MCB Financial Services Limited	100.00%	2,750,000	27.50
MCB Islamic Bank Limited	100.00%	1,120,000,000	11,200.00
MCB Leasing Closed Joint Company Limited	99.94%	4,281,105	448.19

Category of Investments (2013-2018)

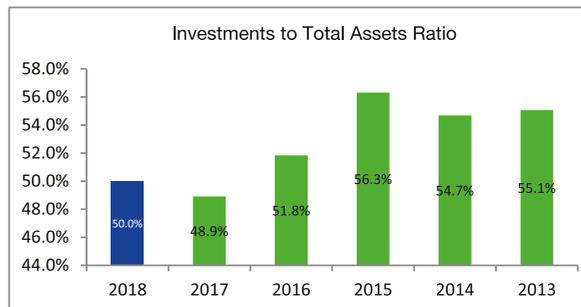
Rs. In billion



Investments to Deposits Ratio (2013-2018)



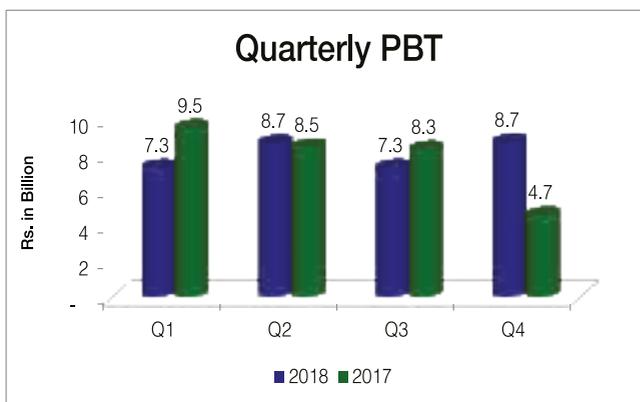
Investments to Total Assets Ratio (2013-2018)



Quarterly Performance - 2018 & 2017

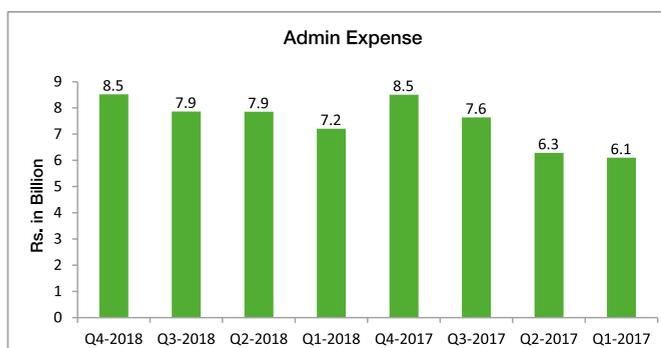
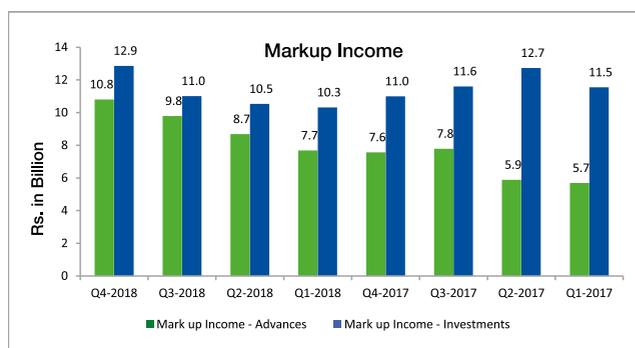
Rs. in Million

	2018				2017			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Profit & Loss Account								
Mark-up earned	24,393	21,211	19,501	18,214	18,653	19,473	18,692	17,274
Mark-up expensed	(12,289)	(9,854)	(7,946)	(7,216)	(7,475)	(8,036)	(8,379)	(7,539)
Net mark-up income	12,104	11,357	11,555	10,998	11,178	11,436	10,313	9,735
Non-mark-up income	5,441	3,493	3,966	4,298	4,290	4,148	4,496	5,184
Total Income	17,545	14,850	15,521	15,296	15,468	15,584	14,810	14,919
Non-mark-up expenses	(7,699)	(8,039)	(7,736)	(9,428)	(8,427)	(7,777)	(6,278)	(6,239)
Profit before provisions	9,846	6,811	7,786	5,868	7,041	7,807	8,531	8,680
Provisions & write off	1,098	(504)	(908)	(1,439)	2,386	(542)	68	(868)
Profit before taxation	8,748	7,315	8,693	7,306	4,654	8,348	8,464	9,548
Taxation	(1,700)	(2,768)	(3,707)	(2,529)	(1,695)	(2,824)	(710)	(3,326)
Profit after taxation	7,049	4,548	4,986	4,777	2,960	5,524	7,753	6,222
Statement of Financial Position								
Assets								
Cash and balances with treasury banks	103,175	129,587	120,975	105,032	106,072	95,765	97,451	77,550
Balances with other banks	11,879	7,292	8,244	6,773	4,579	7,466	6,629	4,241
Lendings to financial institutions	35,106	142,153	8,122	32,766	4,398	8,403	5,161	1,640
Investments	749,369	454,190	689,109	601,192	656,964	682,268	750,092	747,588
Advances	503,581	487,501	510,735	468,508	469,356	440,904	389,643	353,506
Fixed assets	41,070	40,098	40,162	39,657	39,170	36,286	33,793	33,009
Intangible assets	372	411	457	405	404	274	319	328
Deferred tax assets	-	-	-	-	-	1,526	-	-
Other assets	53,578	49,421	43,919	39,136	62,295	36,565	37,922	28,690
	1,498,130	1,310,653	1,421,724	1,293,468	1,343,238	1,309,458	1,321,010	1,246,551
Liabilities								
Bills payable	15,699	12,273	12,190	12,337	22,681	15,052	12,621	13,721
Borrowings	216,019	55,837	192,480	73,494	133,070	136,512	232,901	227,516
Deposits and other accounts	1,049,038	1,032,649	1,018,740	1,005,027	968,483	962,500	891,551	818,950
Sub-ordinated loan	3,891	3,892	3,892	3,893	3,893	3,893	-	-
Deferred tax liabilities	1,532	2,138	3,097	4,063	4,625	-	10,038	11,080
Other liabilities	62,673	55,221	40,624	41,692	56,921	35,011	30,108	32,316
	1,348,852	1,162,010	1,271,023	1,140,506	1,189,672	1,152,969	1,177,219	1,103,583
Net assets								
	149,278	148,643	150,701	152,962	153,566	156,489	143,791	142,968
Represented by:								
Share capital	11,851	11,851	11,851	11,851	11,851	11,851	11,130	11,130
Reserves	74,148	72,823	72,472	71,631	70,866	69,808	54,648	53,929
Unappropriated profit	53,532	51,895	52,430	53,215	53,776	56,447	56,270	54,562
Surplus on revaluation of assets - net of tax	9,747	12,074	13,948	16,265	17,073	18,383	21,742	23,346
	149,278	148,643	150,701	152,962	153,566	156,489	143,791	142,968



Quarterly Performance Analysis - 2018 & 2017

Quarter	Net Interest Income	Non Interest Income	Operating Expenses	Profit before Tax
1st Quarter	During the 1st quarter of 2018, Net Interest income of the bank is reported to be 11.0 billion for the quarter where gross markup income was concentrated by Markup from Investments amounting to Rs. 10.3 billion and income from advances amounting to Rs. 7.6 billion. Markup income on advances is increased by 35% on the same period last year due to volumetric increase in advances. On markup expense side Rs. 6.2 billion was on incurred for mark up expense on deposits. This was higher by 25% for the same period last year due to increase in volume.	Non Mark up Income for the 1st quarter is reported to be Rs. 4.3 billion decrease of 17% over same period last year. Decrease is due to higher capital gains recorded in 1st quarter of 2017. Rs. 2.3 billion capital gain was recorded in 2017 as compared to Rs. 784 million recorded in 2018.	Non Markup expense excluding pension cost of Rs. 7.2 billion has been increased by 17% in 1st quarter as compare to Rs. 6.1 billion recorded in 1st quarter of 2017.	Profit before Tax in lower by 24% in Q1-2018 as compared to Q1-2017. This is due to recording of one off pension cost in Q1-2018 amounting to Rs. 2.0 billion as per Supreme Court decision.
2nd Quarter	Net Interest Income during the 2nd quarter was reported at RS. 11.5 billion. Higher by 12% as compared to same quarter of 2017. Gross markup income has been increased by 5% while Markup up expense has been decreased 4%. Increase in gross markup income was primarily on accounts of income from advances.	Non Mark up Income for the 2nd quarter is reported to be Rs. 3.9 billion 12 % lesser than the corresponding quarter last year. This is due to lesser capital gain recorded in 2nd quarter of the 2018 i.e. Rs. 383 million (Q2-17 : 1.0 billion)	Increase of 24% has been observed in non markup expenses. This is due to compensation cost of ex-NIB employees which were not part of corresponding quarter of 2017.	Profit before Tax of the 2nd quarter is reported to be Rs. 8.7 as compared to Rs. 8.5 for the 2nd quarter of 2017. PBT is higher by 3% due to provision reversals in 2nd quarter of 2018 to the tune of Rs. 908 million.
3rd Quarter	Net Interest Income during the 3rd quarter is slightly lower than the net markup income in 3rd quarter of 2017. On gross markup income side, income on advances is higher by 26% due to volumetric increase and increase in discount rate. Markup up expense on Deposits is also increased by 38% due to increase in discount rate by SBP.	Non Mark up Income is 16% lower than non mark up income reported in 3rd quarter of 2017. Due to the deteriorating condition of Pakistan Stock Market, Capital Loss was recorded in Q3 as compared to Rs. 874 million capital gain recorded in 2017.	Non Markup Expense in Q3-2018 has slightly been increased as compared to Q3-2017. 3% increase has been observed.	Profit before Tax has decreased to Rs. 7.3 billion as compared to Rs. 8.4 billion in Q3 of 2017. The only significant factor of higher profit in Q3-2017 was higher non markup income.
4th Quarter	Net Interest Income during the 4th quarter is 8% higher than the net markup income in Q4 of 2017. Increase in net mark up income is due to upward revision in discount rate by SBP. Gross markup income was higher by 31% and mark up expense was higher by 64%.	Non Mark up Income was higher by 26% as compared to last quarter of 2017. This was mainly due to positioning of foreign currency in order to get maximum gain on exchange rate fluctuations. In this regard, Rs. 2.2 billion Foreign Exchnage Income has been recorded in Q4 of 2018. Dividend income has decreased by 37% as compared to dividend income booked in Q4-2017.	Non Markup Expense excluding pension cost in Q4-2018 slightly above the numbers reported in Q4-2017. 1 % increase has been observed.	Despite Rs. 2.2 billion provision charge for equity securities, Profit before Tax was higher by 96% as compared to last quarter of 2017, primarily due to increase in non markup income.



Capital Structure

Rs. in Million

Capital Structure

Tier 1 Capital

Shareholders equity /assigned capital
Share premium
Reserves
Unappropriated profits

	2018	2017
Shareholders equity /assigned capital	11,851	11,851
Share premium	23,751	23,751
Reserves	47,859	45,723
Unappropriated profits	53,532	53,776
Total	136,993	135,101

Deductions:

Book value of intangible and advances given for intangible
Defined benefit pension fund assets - net
Other deductions

Book value of intangible and advances given for intangible	631	553
Defined benefit pension fund assets - net	2,480	3,115
Other deductions	4,882	2,303
Total	7,993	5,971

Total Tier 1 capital

Total Tier 1 capital	128,999	129,130
-----------------------------	----------------	----------------

Tier 2 Capital

Qualifying Tier 2 capital instruments
General provisions subject to 1.25% of total risk weighted assets
Revaluation reserves
Foreign exchange translation reserves

Qualifying Tier 2 capital instruments	2,335	3,114
General provisions subject to 1.25% of total risk weighted assets	1,267	1,115
Revaluation reserves	12,193	15,071
Foreign exchange translation reserves	1,630	484
Total	17,424	19,784

Deductions:

Other deductions

Other deductions	436	1,686
------------------	-----	-------

Total Tier 2 Capital

Total Tier 2 Capital	16,988	18,098
-----------------------------	---------------	---------------

Total Regulatory Capital Base

Total Regulatory Capital Base	145,987	147,228
--------------------------------------	----------------	----------------

Capital Adequacy

Risk Weighted Assets

Credit Risk
Market Risk
Operational Risk

Credit Risk	637,481	633,997
Market Risk	54,814	144,786
Operational Risk	112,882	116,631
Total RWA	805,177	895,415

Total RWA

Total eligible regulatory capital held

Total eligible regulatory capital held	145,987	147,228
--	---------	---------

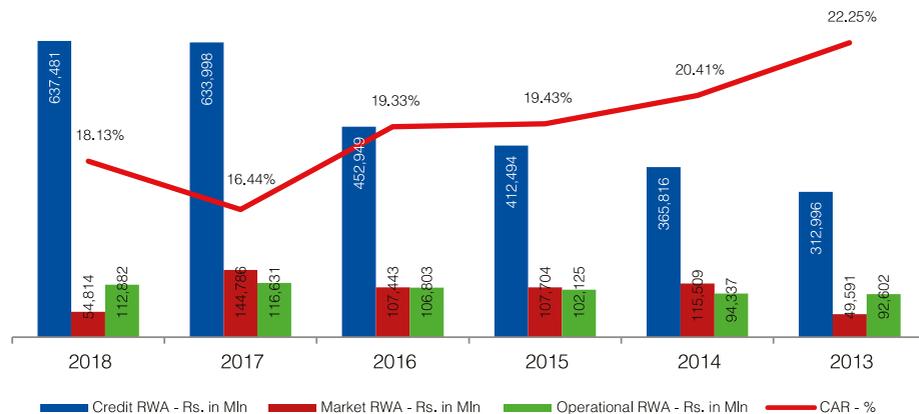
Total Risk Weighted Assets

Total Risk Weighted Assets	805,177	895,415
----------------------------	---------	---------

Capital Adequacy Ratio

Capital Adequacy Ratio	18.13%	16.44%
-------------------------------	---------------	---------------

Capital Adequacy Ratio (2013-2018)



Six Years' Financial Performance / Financial Ratios 2013-2018

		2018	2017	2016	2015	2014	2013
Profit & Loss Account							
Mark-up/ return earned	Rs. Min	83,319	74,091	67,400	80,393	77,269	65,064
Mark-up/ return expensed	**	37,305	31,429	23,586	31,077	33,757	27,196
Fund based income	**	46,014	42,662	43,814	49,316	43,512	37,868
Fee, Commission, FX income & others	**	14,625	11,435	9,040	10,871	10,235	8,108
Dividend and capital gains	**	2,573	6,682	7,135	5,695	2,709	3,063
Total income	**	63,212	60,780	59,989	65,882	56,456	49,039
Operating expenses	**	32,902	28,721	22,989	22,895	21,591	19,639
Operating profit before tax and provision	**	30,310	32,059	36,999	42,987	34,865	29,400
Provisions / write-offs	**	(1,753)	1,045	925	659	(1,864)	(2,888)
Profit before tax	**	32,064	31,014	36,075	42,329	36,729	32,288
Profit after tax	**	21,360	22,459	21,891	25,546	24,325	21,495
Cash Dividends	**	18,961	18,673	17,808	17,808	15,582	14,166
Bonus shares	**	-	-	-	-	-	1,012
Statement Of Financial Position							
Authorised capital	**	15,000	15,000	15,000	15,000	15,000	15,000
Paid up capital	**	11,851	11,851	11,130	11,130	11,130	10,118
Reserves	**	74,148	70,866	53,347	51,309	48,830	46,601
Unappropriated Profit	**	53,532	53,776	53,469	50,747	46,948	40,552
Shareholder's equity	**	139,531	136,493	117,946	113,186	106,908	97,272
Surplus on revaluation of assets - net of tax	**	9,747	17,073	23,680	24,616	23,196	12,959
Net Assets	**	149,278	153,566	141,627	137,802	130,104	110,231
Total Assets	**	1,498,130	1,343,238	1,072,365	1,004,410	934,631	815,508
Earning Assets	**	1,343,378	1,175,352	911,163	872,594	818,676	718,990
Gross Advances	**	546,792	515,058	367,678	322,529	322,318	268,192
Advances - net of provisions	**	503,581	469,356	348,117	304,122	303,559	248,243
Non-Performing Loans (NPLs)	**	48,956	48,753	21,688	20,368	21,908	23,268
Investments	**	749,369	656,964	555,929	565,696	511,137	449,006
Total Liabilities	**	1,348,852	1,189,672	930,739	866,608	804,527	705,277
Deposits & other accounts	**	1,049,038	968,483	781,430	696,805	688,330	632,330
Current & Saving Deposits (CASA)	**	954,813	899,364	735,550	650,739	626,112	567,728
Borrowings	**	216,019	133,070	74,515	118,040	59,543	38,543
Interest bearing Liabilities	**	867,048	728,361	557,913	557,056	511,446	456,348
Contingencies and Commitments	**	584,434	448,135	307,566	320,888	226,554	265,428
Profitability Ratios:							
Profit before tax ratio	%	38.48%	41.86%	53.52%	52.65%	47.53%	49.63%
Gross Yield on Average Earning Assets	**	6.41%	7.10%	7.56%	9.51%	10.05%	9.42%
Gross Yield on Avg. Earning Assets (incl. dividend & capital gains)	**	6.61%	7.74%	8.36%	10.18%	10.40%	9.86%
Gross Spread	**	55.23%	57.58%	65.01%	61.34%	56.31%	58.20%
Non interest income to total income	**	27.21%	29.81%	26.96%	25.14%	22.93%	22.78%
Return on average equity (ROE)	**	15.48%	17.65%	18.94%	23.21%	23.83%	23.09%
Return on average assets (ROA)	**	1.50%	1.86%	2.16%	2.63%	2.78%	2.72%
Return on Capital Employed (ROCE)	**	15.48%	17.65%	18.94%	23.21%	23.83%	23.09%
Cost to income ratio	**	49.75%	46.94%	36.80%	33.34%	36.51%	38.15%
Cost to income ratio (excluding pf reversal)	**	48.73%	47.88%	37.66%	34.52%	37.98%	41.62%
Admin Exp to Profit before Tax	**	98.07%	91.99%	61.19%	51.90%	56.12%	57.95%
Investment / Market Ratios:							
Earnings per share (after tax)	Rs.	18.02	19.56	19.67	22.95	21.85	19.31
Earnings per share (before tax)	**	27.06	27.02	32.41	38.03	33.00	29.01
Breakup value per share							
- without surplus on revaluation of fixed assets & investments	**	117.74	115.18	105.97	101.69	96.05	87.39
- without surplus on revaluation of fixed assets	**	115.68	119.17	116.10	114.09	106.79	88.90
- with surplus on revaluation of fixed assets & investments	**	125.97	129.59	127.24	123.81	116.89	99.04
- with surplus on revaluation of fixed assets & investments & investment in realted party at fair / market value	**	128.41	132.90	132.90	128.63	121.05	101.82
Cash Dividend	%	160%	160%	160%	160%	140%	140%
Bonus Shares Issued	**	-	-	-	-	-	10.00%
Dividend Yield ratio (based on cash dividend)	**	8.27%	7.54%	6.73%	7.38%	4.58%	4.98%
Dividend Payout ratio	**	88.77%	83.14%	81.35%	69.71%	64.06%	70.61%
Price to book value ratio	Times	1.64	1.84	2.24	2.14	3.18	3.22
Price to earning ratio	**	10.74	10.85	12.09	9.45	13.99	14.56
Dividend cover ratio	**	1.13	1.18	1.23	1.43	1.56	1.52

Six Years' Financial Performance / Financial Ratios 2013-2018

		2018	2017	2016	2015	2014	2013
Share Information:							
Market value per share - Dec 31	Rs.	193.57	212.32	237.82	216.85	305.65	281.17
High - during the year	**	236.56	267.00	244.82	338.82	311.00	323.00
Low - during the year	**	177.16	188.21	190.20	205.34	234.51	182.20
Market Capitalisation	Rs. Mln	229,392	251,612	264,701	241,361	340,198	284,501
Asset Quality & Liquidity ratios:							
Gross Advances to deposits ratio	%	52.12%	53.18%	47.07%	46.29%	46.83%	42.41%
Net Advances to deposits ratio	**	48.00%	48.46%	44.55%	43.65%	44.10%	39.26%
Investments to deposits ratio	**	71.43%	67.83%	71.14%	81.18%	74.26%	71.01%
Weighted Average Cost of Deposits	**	3.18%	2.53%	2.48%	3.37%	4.59%	4.00%
CASA to total deposits	**	91.02%	92.86%	94.13%	93.39%	90.96%	89.78%
NPLs to Gross advances ratio	**	8.95%	9.47%	5.90%	6.32%	6.80%	8.68%
NPLs to Shareholders Equity	**	35.09%	35.72%	18.39%	18.00%	20.49%	23.92%
Coverage Ratio (specific provision/ NPLs)	**	85.68%	91.46%	87.32%	87.63%	82.84%	83.59%
Coverage Ratio (total provision/ NPLs)	**	88.26%	93.74%	90.82%	90.37%	85.62%	85.74%
Earning assets to total assets ratio	**	89.67%	87.50%	84.98%	86.88%	87.59%	88.16%
Investments to total assets ratio	**	50.02%	48.91%	51.84%	56.32%	54.69%	55.06%
Cash & Cash Equivalents to Total Assets	**	7.55%	8.16%	7.31%	6.34%	5.29%	7.46%
Cash to Current Liabilities	**	3.44%	5.07%	7.78%	5.96%	5.16%	5.71%
Earning assets to interest bearing Liabilities	Times	1.55	1.61	1.63	1.57	1.60	1.58
Deposits to shareholder equity	**	7.52	7.10	6.63	6.16	6.44	6.50
Assets to Equity	**	10.74	9.84	9.09	8.87	8.74	8.38
Current / Quick Ratio	**	1.91	2.01	3.05	2.44	1.51	2.51
Risk Adequacy:							
Tier I Capital	Rs. Mln	128,999	129,130	111,999	107,067	104,083	95,102
Total Eligible Capital	**	145,987	147,227	128,968	120,930	117,489	101,296
Risk Weighted Assets (RWA)	**	805,177	895,415	667,195	622,323	575,663	455,189
Tier I to RWA	%	16.02%	14.42%	16.79%	17.20%	18.08%	20.89%
RWA to total assets	**	53.75%	66.66%	62.22%	61.96%	61.59%	55.82%
Capital Adequacy Ratio	**	18.13%	16.44%	19.33%	19.43%	20.41%	22.25%
Net Return on Average RWA	**	2.51%	2.87%	3.40%	4.26%	4.72%	4.90%
Duo Pont Analysis:							
Net Operating Margin	%	33.79%	36.95%	36.49%	38.78%	43.09%	43.83%
Asset Utilization	%	4.45%	5.03%	5.78%	6.80%	6.45%	6.20%
Leverage Ratio / Equity Multiplier	Times	10.29	9.49	8.99	8.81	8.57	8.50
Industry Share:							
Deposits	%	7.86%	7.83%	6.98%	7.20%	8.25%	8.40%
Advances	**	6.93%	7.89%	6.60%	6.58%	7.23%	6.59%
Market Capitalisation	**	17.85%	17.85%	14.86%	17.91%	21.44%	22.96%
Home Remittance	**	14.88%	11.64%	11.30%	10.90%	10.68%	10.48%
* based on economic data released by State Bank of Pakistan							
Consolidated:							
Total Assets	Rs. Mln	1,585,210	1,389,492	1,097,281	1,020,980	941,606	821,278
Shareholders' Equity	**	140,196	138,100	120,152	115,253	110,095	100,165
Net Assets	**	151,323	156,543	145,960	142,177	136,269	115,463
Profit before tax	**	30,806	30,614	36,721	42,789	37,354	32,932
Profit after tax	**	20,415	22,048	22,174	25,035	24,774	21,950
Return on Average Assets	%	1.37%	1.77%	2.14%	2.55%	2.81%	2.76%
Return on Average Equity	**	14.60%	16.98%	19.18%	22.12%	23.45%	22.80%
Earnings per share	Rs.	17.17	19.13	19.82	22.38	22.15	19.65
Breakup value per share (excl. surplus on rev. of assets)	**	127.69	117.02	108.41	103.55	98.91	89.99
Capital Adequacy Ratio	%	17.02%	16.34%	19.68%	20.07%	20.41%	22.18%
Per Branch:							
Gross Advances	Rs. Mln	394.23	356.69	297.10	263.72	261.62	220.37
Deposits	**	756.34	670.69	631.20	569.75	558.71	519.58
CASA	**	688.40	622.83	594.14	532.08	508.21	466.50
PBT	**	23.12	21.48	29.14	34.61	29.81	26.53

Six Years' Non Financial Performance 2013-2018

		2018	2017	2016	2015	2014	2013
No. of accounts	Absolute	7,854,928	7,607,277	6,549,452	6,074,103	5,648,460	5,299,439
No. of branches	"	1,387	1,444	1,238	1,223	1,232	1,217
No. of permanent employees	"	12,860	13,155	11,088	10,532	10,737	10,487
Digital Banking							
No. of ATMs	Absolute	1,321	1,377	1,191	1,073	937	789
No. of Debit cards/smart cards issued during the year	"	783,233	772,314	666,999	642,649	488,706	508,241
Internet Banking							
No. of customers	"	176,210	163,273	144,069	125,621	104,889	88,131
No. of transactions	"	481,137	509,569	450,333	358,547	250,412	1,603,669
Volume of transactions	Rs. Mln	14,859	12,306	7,971	6,149	3,356	30,725
Mobile Banking							
No. of customers	Absolute	1,363,304	1,232,258	931,965	656,485	566,846	542,449
No. of transactions - financial	"	2,354,765	1,689,324	1,487,899	1,377,762	1,139,634	906,522
No. of transactions - non-financial	"	6,081,206	3,908,141	3,390,035	3,365,913	3,097,579	2,996,584
Volume of transactions	Rs. Mln	48,623	24,597	15,018	14,842	12,258	10,484
Consumer Segment							
Credit Cards							
No. of new issuance	Absolute	15,245	13,006	11,060	10,647	7,505	7,187
No. of customers	"	77,190	70,246	64,075	59,343	55,180	53,460
Total spend (transaction volume)	Rs. Mln	7,597	7,054	5,967	5,079	4,843	4,306
Auto Loan							
No. of Loans disbursed	Absolute	8,266	8,977	6,751	5,565	3,775	3,094
Outstanding Volume	Rs. Mln	18,134	16,416	10,811	8,256	6,062	5,149
Home Loan							
No. of Loans disbursed	Absolute	108	64	44	21	8	7
Outstanding Volume	Rs. Mln	4,116	2,909	1,887	1,710	1,508	1,695
Personal Loan							
No. of Loans disbursed	Absolute	2,766	1,313	316	231	133	72
Outstanding Volume	Rs. Mln	2,707	2,630	531	518	507	517
Bancassurance							
No. of customers	Absolute	152,145	119,474	95,434	72,553	55,411	39,716
No. of new customers	"	32,671	24,040	22,881	17,142	15,695	14,714
No. of policies	"	33,110	26,590	23,223	17,189	16,223	15,481
Bancassurance Premium	Rs. Mln	7,060	6,133	4,953	4,193	3,411	2,837
Bancassurance - New Premium	"	2,441	2,046	1,679	1,406	1,218	1,305
Bancassurance Revenue	"	1,072	944	698	768	565	723
Trade							
Imports - volume	Rs. Mln	483,932	416,489	371,233	359,860	414,941	420,964
Exports - volume	"	302,500	220,912	162,899	170,032	171,072	208,640
Transaction Banking							
Home Remittance							
Volume of home remittance	USD Mln	3,064	2,281	2,220	2,096	1,819	1,529
Volume of home remittance	Rs. Mln	374,431	240,478	232,340	213,755	184,130	154,656
Home Remittance MCB Market Share	%	14.88%	11.64%	11.30%	10.90%	10.68%	10.48%
Cash Management							
Volume of cash collection	Rs. Mln	1,673,812	1,500,553	1,210,303	1,024,595	963,217	951,516

Six Years' - Performance Commentary

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

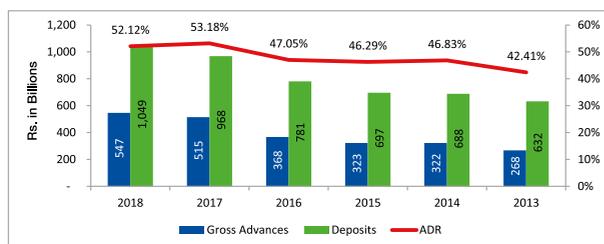
Statement of Financial Position

Total Assets:

The asset base of the Bank has registered a remarkable compound annual growth rate (CAGR) of 11.78% over the last 6 years growing from Rs. 767 billion as at December 31, 2012 to Rs. 1,498 billion as at December 31, 2018. Prime contributors to the said increase have been advances and investments, with investments growing annually by approximately 10.93% while advances grew by 13.18%. The earning asset mix of the Bank has been prudently managed to ensure maximization of returns to stakeholders. In 2017, based on the strategic move, NIB Bank was merged with and into MCB Bank Limited resulting in a significant increase in assets of 26.19% during 2017. Further 90 branches of the bank have been transferred during the year 2018 to MCB wholly owned subsidiary i.e. MCB Islamic Bank Limited.

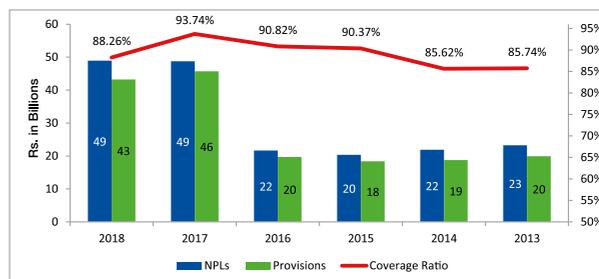
Advances:

The changing macro-economic factors made the operating environment more challenging with discount rate registering a steep increase of 425 bps in the year 2018. Growing concerns on the asset quality coupled with limited credit opportunities falling within the defined risk appetite has resulted in a moderate growth in gross advances base. However, over the past two years, merger of NIB Bank and decent growth on the private sector credit appetite has reflected in the growth numbers for MCB. Advances have grown at a CAGR of 13.18% over the last 6 years. Due to the said growth in advances in 2018, the ADR has increased from 48.14% as at December 31, 2012 to 52.12% in 2018.



Non-performing Loans:

Strengthened risk management policies coupled with refined appetite has enabled the Bank to keep a check on quality of its assets. Bank has posted significant recoveries in past few years. In this regard, the infection ratio of the Bank was 9.74% as at December 31, 2012 which improved to 5.90% as at December 31, 2016. However, transfer of NPL stock from NIB Bank i.e. Rs. 29.650 billion has increased the infection ratio to 9.47% as at December 31, 2017. In 2018 infection ratio improved to 8.95%. The quality of asset base has been one of the prime focus areas of the Bank and the significant recoveries posted in the last few years reflect the strategic focus of the Bank. The coverage ratio of the Bank has moved from 89.23% as at December 31, 2012 to 88.26% as at December 31, 2018. Moreover, the NPLs classified in "loss" category constitute more than 93% of the NPLs base as at December 31, 2018. This specifies the adequacy of provision held in the books of the Bank.

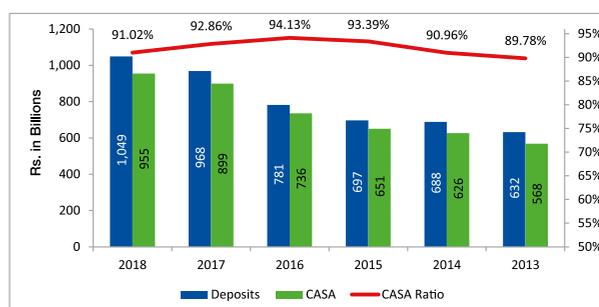


Investments:

During the past few years, the lack of credit opportunities resulted in banking sector money being deployed in Government Papers, where the borrowing appetite has continued to grow. With an average annual growth rate of 10.93% over the last six years, the investment base of the Bank has grown from Rs. 402 billion as at December 31, 2012 to Rs. 749 billion as at December 31, 2018.

Deposits:

The deposit base of the Bank has nearly doubled over the last six years, surpassing the landmark of PKR 1 trillion, with absolute numbers increasing from Rs. 545 billion as at December 31, 2012 to Rs. 1,049 billion as at December 31, 2018. CAGR of 11.53% is maintained during the past 6 years. CASA base has registered remarkable increase in last 6 years, increasing from Rs. 464 billion as at December 31, 2012 to Rs. 955 billion as at December 31, 2018; This has been strategically achieved through service excellence, strategically placed touch points for the customer and transactional convenience provided through a variety of products.



Equity and Dividends

- The paid-up capital of the Bank has grown from Rs. 9.2 billion as at December 2012 to Rs. 11.8 billion as at December 31, 2018, meeting the statutory capital requirements set by the Central Bank.
- In 2008, most affluent strategic partnership occurred in Pakistan where the largest Bank of Malaysia, Maybank Berhad, acquired 20% holding in MCB Bank Limited (Current holding 18.78%). Dilution due issue of share under merger scheme). In 2017, Fullerton Financial Holdings (International) of Singapore through Bugis Investments (Mauritius) Pte Ltd acquired 5.49% stake in MCB under merger scheme of NIB Bank with and into MCB Bank Limited.

- The equity base of the Bank is reflective of the outstanding financial results achieved through consistent performance over years. The capital base of the Bank is rated as strong which is substantiated by the reported CAR of 18.13% as at December 31, 2018 against the statutory requirement of 11.90%. The Shareholders' equity has grown significantly from Rs. 89 billion as at December 31, 2012 to Rs. 140 billion as at December 31, 2018.
- The Bank has the highest cash dividend per share in the industry with regular interim dividends and remains one of the prime stocks preferred in the Pakistani equity markets.

Profit and Loss account

Net Interest Margin

- The composition of markup income has seen a shift in the last six years on the back of concentration shift in the earning asset base of the Bank. The contribution from markup income earned on advances has increased from 38.41% in 2013 to 44.36% in 2018 while markup income from investments has decreased to 53.67% (2013: 60.30%).
- The regulatory revisions covering minimum deposit rate introduced in the earlier years of this six years analysis has adversely affected the Bank's net interest margin. The said impact was strategically diluted by improving the CASA base over period taking it to over 91% as at December 31, 2018.

Non-Markup Income

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

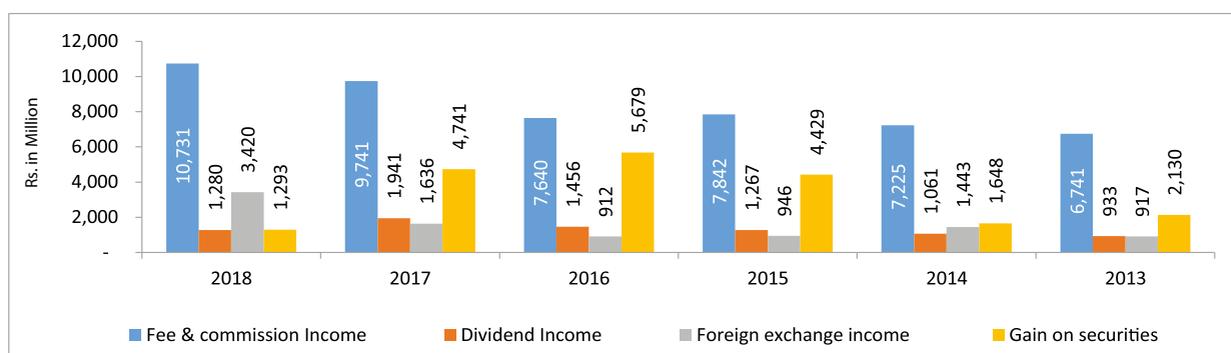
- The equity investment base of the Bank has been providing outstanding dividend yields with dividend income proving to be one of the major contributors to non-markup income. During the past 6 years, above Rs. 28 billion has been realized by way of capital gains and dividend income.

Operating Expenses

- Owing to the strengthened risk management framework, the provision charge of the Bank has been on a declining trend over years. The provision and write-off reversal was reported at Rs. 2.8 billion for the year 2013 followed by extensive recovery efforts and reversals in subsequent years. For the year 2014, the Bank reversed provisions to the tune of Rs. 1.8 billion based on the recoveries posted against classified advances. In 2018, provisions were recorded on the equity portfolio of the bank based on market volatility while recoveries were posted against advances. It is pertinent to add that the Bank carries an unencumbered general provision of around 0.1% of gross advances and has not taken the benefit of FSV in provision calculation for the year 2018.
- The growth in administrative block of the bank has been nominal considering the inflationary patterns followed over the period of six years. The management has been able to introduce cost effective techniques / methods to exercise control over the administrative expenses. Centralization of various expense heads and imposition of annual capping have been few of the key initiatives undertaken in this respect. This has enabled the Bank to maintain one of the lowest cost to income ratios in the industry.

Profit before tax and Profit after tax:

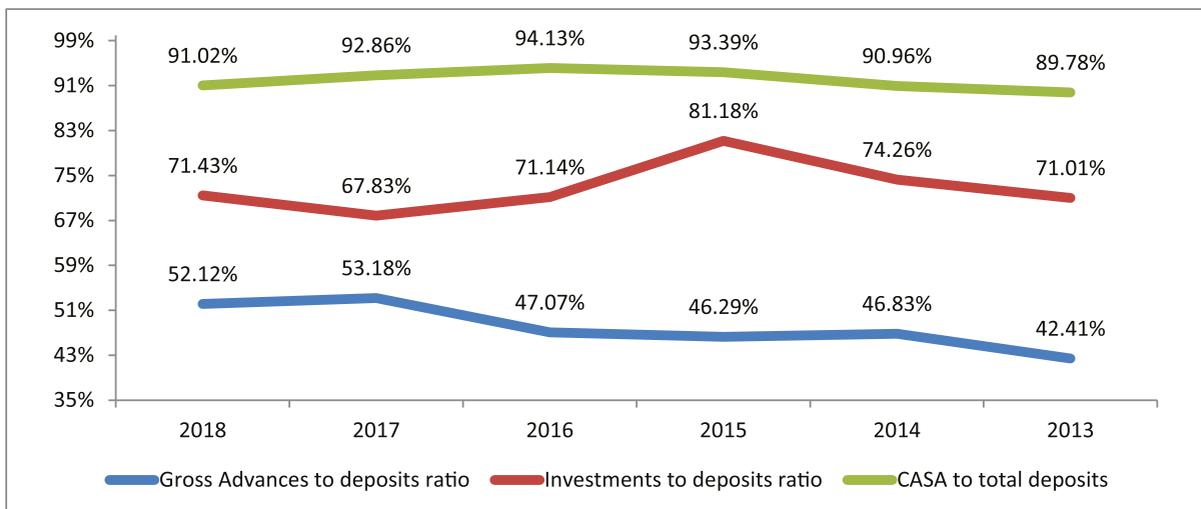
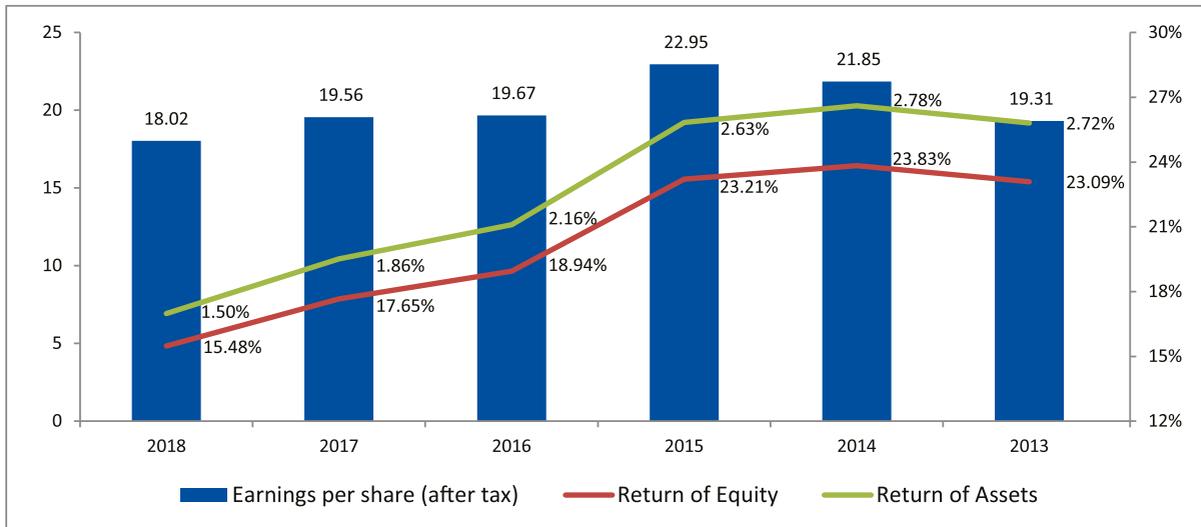
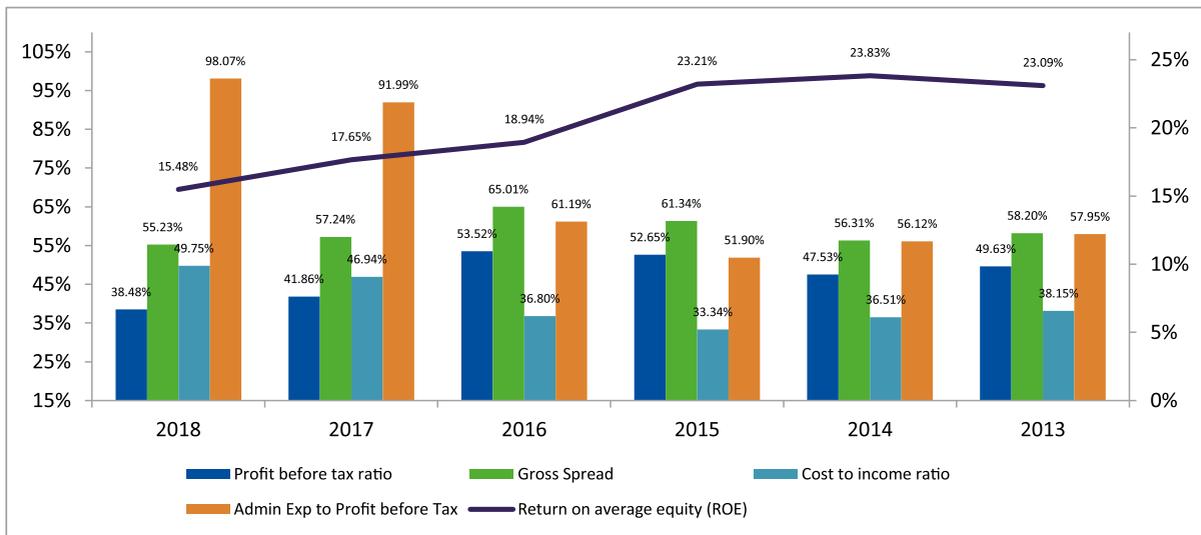
- MCB Bank has been able to post outstanding profitability numbers over the period of last six years as substantiated by the highest EPS and remarkable return on asset ratio. Over the past few years, due to decreasing interest rate scenario and enactment of regulatory guidelines on minimum deposit rates, the net interest margins have registered significant compression. The post-tax profitability numbers were Rs. 21.5 billion for 2013 and now it stands at Rs. 21.4 billion for 2018. The aggregate profit after tax for the last six years has crossed Rs. 137 billion.
- Profitability ratios have been one of the best in the banking industry which are reflective of the effective management of the affairs and adoption of prudent strategies.



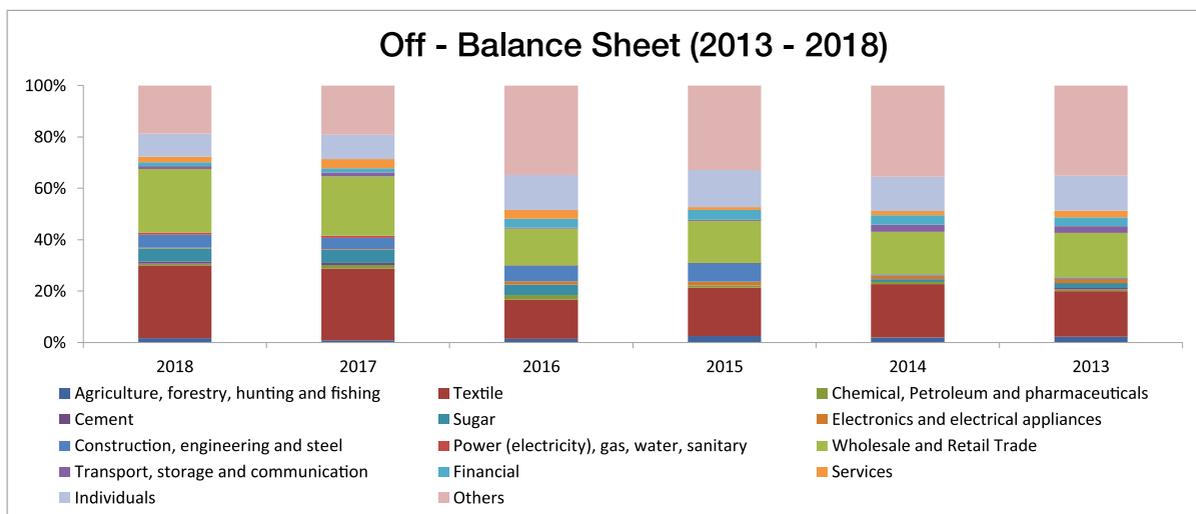
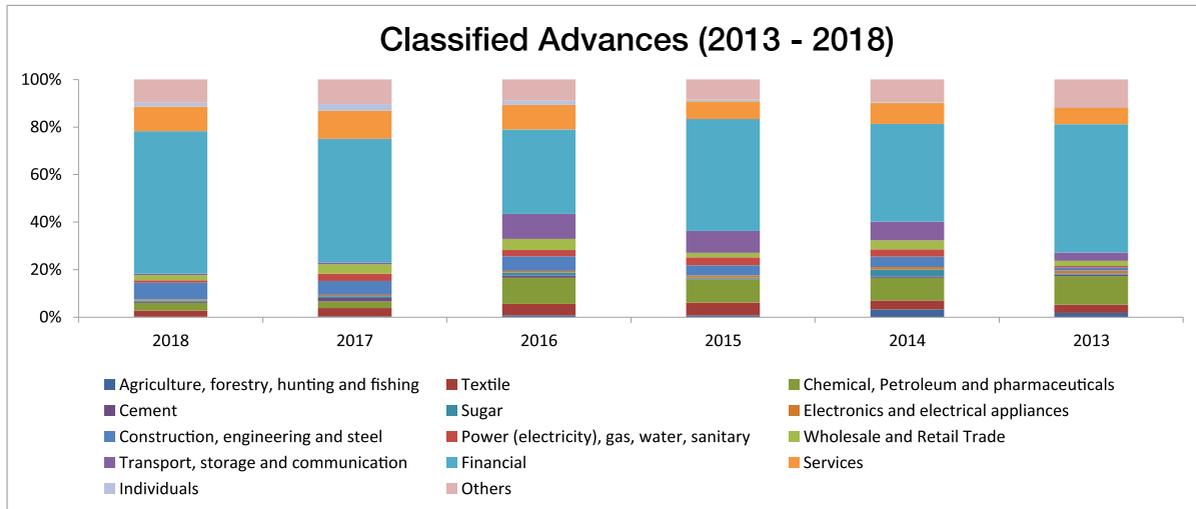
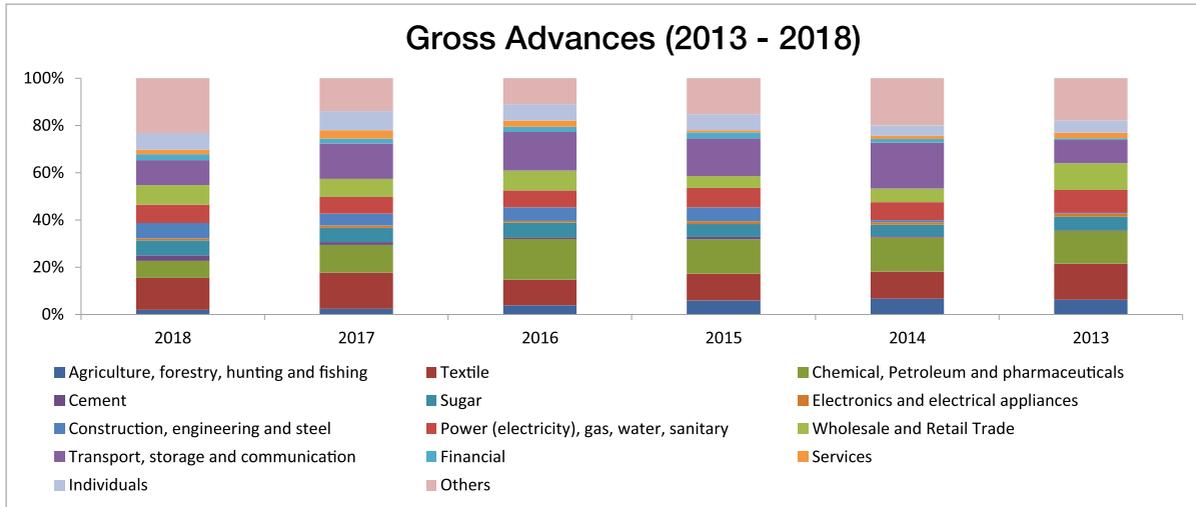
Other statistics

- The Bank has added over almost 3 million customers to its base during the past 6 years with the current statistics highlighting customer base over 7.8 million.
- With active participation in trade, MCB Bank has been able to improve trade volume in last 6 years which has increased to Rs. 484 billion for imports and Rs. 302 billion for exports.
- The Bank has been able to increase its market share in the remittance business growing from Rs. 137 billion as at December 31, 2012 to the volume of Rs. 374 billion as at December 31, 2018.
- In 2008, the Bank launched Bancassurance which was a unique cross functional service to the customers of the Bank. With only 131 policies and 129 customers in 2008, MCB Bank now manages more than 33,000 policies and customers with premium amount of more than Rs. 7 billion.
- MCB Bank launched mobile banking in 2009 with approximately 53K customers reported by the end of the year. As of 2018, the mobile customers have grown to 1.3 million and above with transaction volume of over Rs. 48 billion.
- During the year 2018, this is the 6th consecutive year where MCBs Annual Report has been adjudged winner for best corporate report award in financial sector category. MCB Bank has been awarded as winner by ICAP and ICMAP for Best Corporate Report Award 8 times in past 9 years.
- In 2015, MCB Annual Report has been honored to receive 1st place by South Asian Federation of Accountant (SAFA) for best presented Annual Accounts 2014. MCB was the 1st Pakistani bank to receive this accolade. In the past years, we have been awarded merit certificate and runner up awards for the same.
- In 2016, Bank was awarded Best Bank in Corporate Finance and Investment Banking by EuroMoney Awards while in 2016 bank was awarded as best bank by EuroMoney. We have also been awarded for Country Awards for Achievement in recent past years by FinanceAsia.
- China-Pakistan Economic Corridor ('CPEC') is beginning to show greater momentum with several energy and infrastructure projects in the pipeline, which will fuel growth in the medium term. Bank is continuously focusing on CPEC related infrastructure projects and bank has been able to achieve various awards on outstanding performance under CPEC arrangements. In this regard bank received award for Best Regional Bank in South Asia for BRI (Belt & Road Initiative) - Asiamoney New Silk Road Finance Awards 2017.

Six Years' - Graphical Summary of Ratios

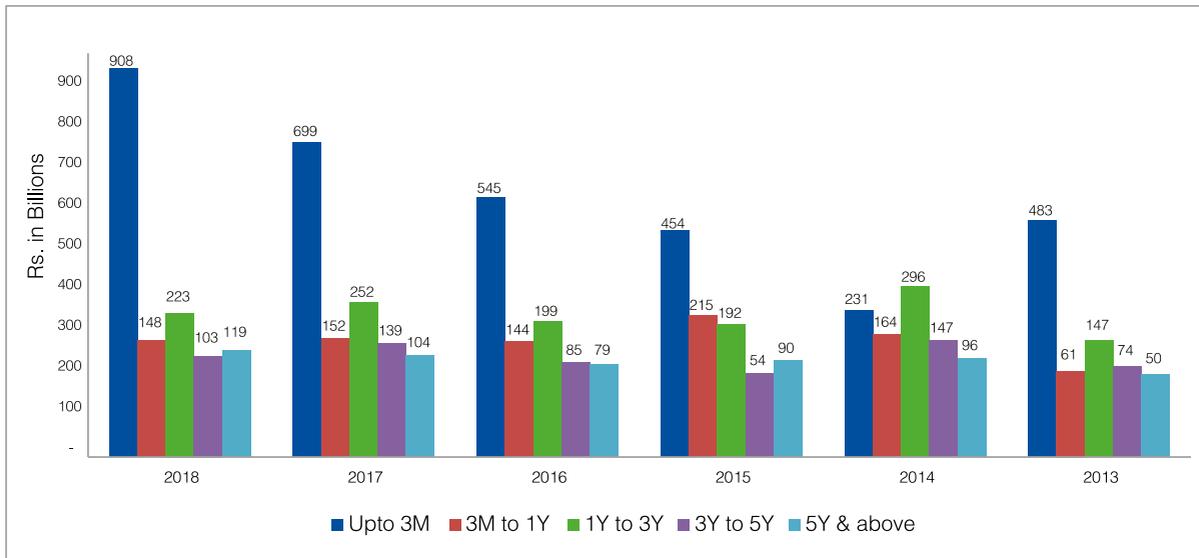


Six Years' - Concentration of Advances, NPLs & Off-Balance Sheet Items

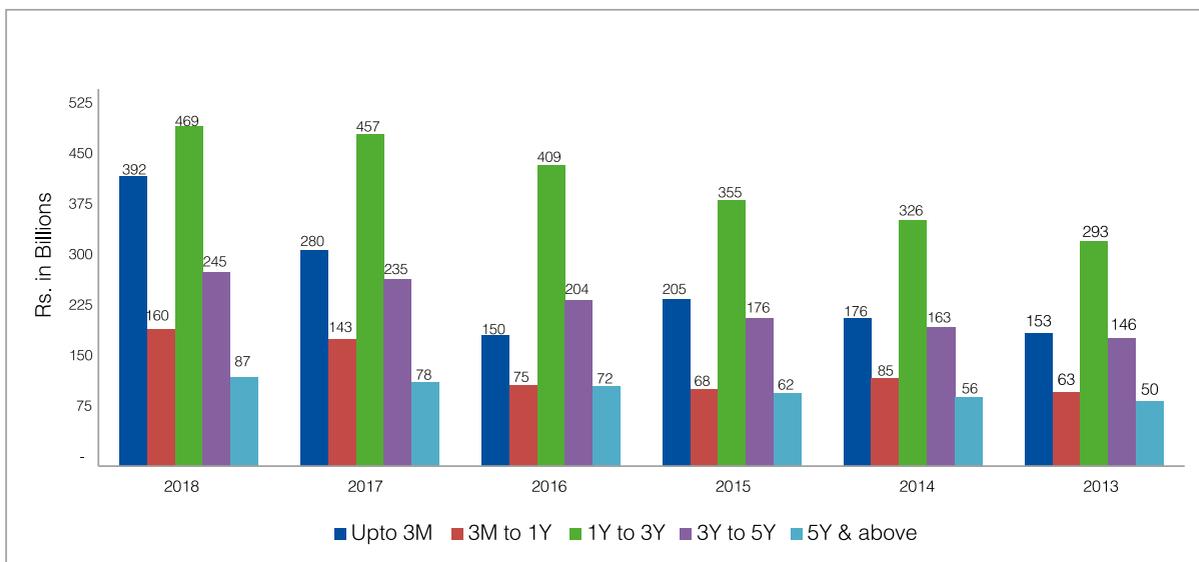


Six Years' - Maturities of Assets & Liabilities

Maturities of Assets



Maturities of Liabilities



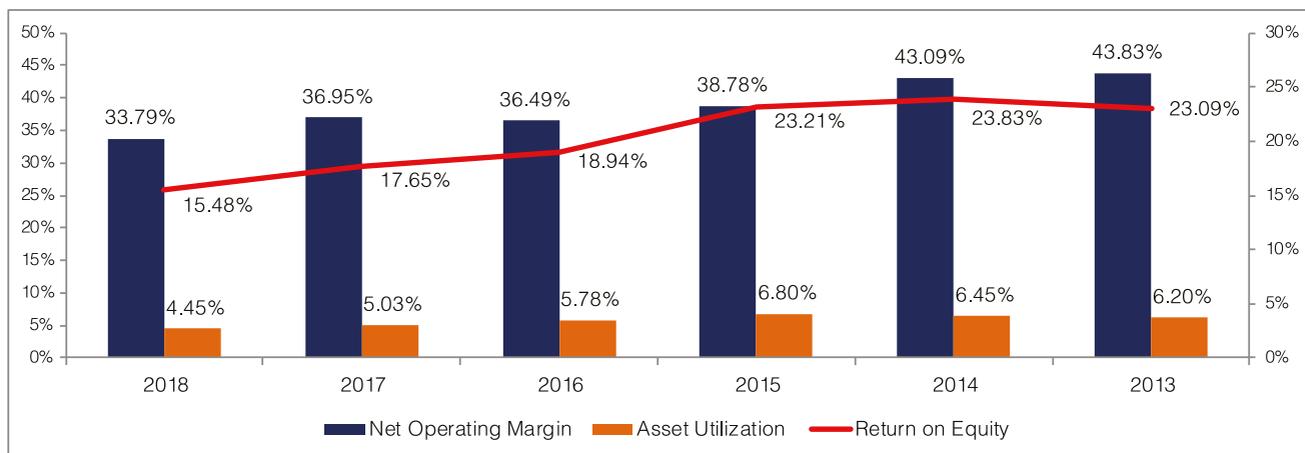
* Based on expected maturities

DuPont Analysis

			2018	2017	2016	2015	2014	2013
Net Operating Margin	PAT / Total Income	A	33.79%	36.95%	36.49%	38.78%	43.09%	43.83%
Asset Utilization	Total Income / Average Assets	B	4.45%	5.03%	5.78%	6.80%	6.45%	6.20%
Return on Assets		C = A x B	1.50%	1.86%	2.11%	2.63%	2.78%	2.72%
Leverage Ratio / Equity Multiplier	Average Assets / Average Equity	D	10.29	9.49	8.99	8.81	8.57	8.50
Return on Equity		C X D	15.48%	17.65%	18.94%	23.21%	23.83%	23.09%

Following are the main DuPont analysis highlights:

- 1) Net operating margin measure in term of profit margins showing increasing trend in 2013 and 2014 due to improved non-markup income, cost control measures and reversal in provisions but in recent years it has been deteriorating due to maturity of high yield bonds & weak performance of PSX.
- 2) Asset utilization in terms of total income has shown decreasing trend due to decrease in discount rate & maturity of high yield bonds while corresponding upward revision in minimum deposits rate by regulator.
- 3) Equity Multiplier showing increasing trend since 2013 due to lesser retention of profits.



Summary of Cash Flows

(Rupees in Million)

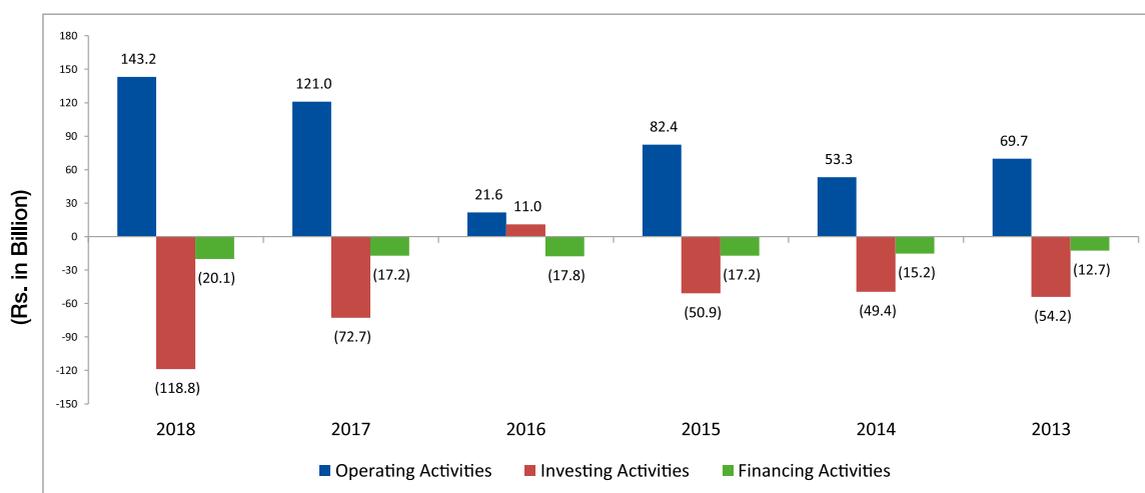
	2018	2017	2016	2015	2014	2013
Cash flows from operating activities	143,221	121,010	21,593	82,440	53,343	69,725
Cash flows from investing activities	(118,767)	(72,671)	11,043	(50,942)	(49,394)	(54,177)
Cash flows from financing activities	(20,092)	(17,203)	(17,760)	(17,167)	(15,175)	(12,673)
Cash and cash equivalents at beginning of the year	109,543	78,407	63,682	49,427	60,857	57,783
Cash and cash equivalents at end of the year	113,181	109,543	78,407	63,682	49,427	60,857

Commentary of Cash Flow Statement

Cash inflow from operating activities depicts cash inflows from core business of the bank i.e. Deposit generation. In 2018, cash flow generated from operating activities is Rs. 143.2 billion which has increased significantly when compared with Rs. 69.7 billion in 2013. The increase was due to massive increase in deposit base of the bank. In 2018, deposit growth contributed cash inflow of Rs. 102.4 billion which was utilized in the funding activities to the tune of Rs. 31.4 billion and lendings to bank to the tune of Rs. 30.74 billion. Calendar year 2018 remains a hall mark year in terms of operational activity as the Bank reported highest base on both key performance indicators (i.e. Deposits and Advances). For the year 2018, the increase in the asset base was primarily led by advances. Historically, investments have been the major contributors to the increased asset base.

On the investing front, during the past 6 years, highest cash outflow has been observed in current year i.e. Rs. 118.8 billion in 2018. This is due to increase in investments in risk free market treasury bills and investment in available for sale securities has considerably been increased to the tune of Rs. 93.7 billion. During the year 2018, the major outflow was also been the payment made on account of demerger of 90 branches which was Rs. 22.2 billion.

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



Free Cash Flows

(Rupees in Million)

	2018	2017	2016	2015	2014	2013
Profit before taxation	32,064	31,014	36,075	42,329	36,729	32,288
Adjustment for non-cash items	264	882	1,525	1,419	(58)	862
Operating assets/ liabilities changes	110,893	89,114	(16,007)	38,692	16,672	36,575
Net cash generated from operations	143,221	121,010	21,593	82,440	53,343	69,725
Capital expenditure	(4,483)	(4,745)	(3,485)	(942)	(4,757)	(4,663)
Free cash flows	138,738	116,265	18,108	81,498	48,586	65,062

Cash Flow Statement

Direct Method

	2018	2017
	(Rupees in Million)	
Cash flows from operating activities		
Mark-up / return / interest and commission receipts	100,579	88,517
Mark-up / return / interest payments	(31,987)	(30,195)
Payments to employees, suppliers and others	(29,565)	(24,536)
	39,027	33,786
(Increase) / decrease in operating assets		
Lendings to financial institutions	(30,708)	(1,588)
Net investments in 'held for trading' securities	(9,338)	111
Advances - net	(31,435)	(49,071)
Other assets	(1,713)	(1,515)
	(73,194)	(52,063)
Increase / (decrease) in operating liabilities		
Bills payable	(5,767)	6,899
Borrowings	82,186	33,326
Deposits and other accounts	102,473	105,312
Other liabilities	1,795	1,471
	180,687	147,008
	146,520	128,731
Income tax paid	(3,299)	(7,721)
Net cash flows from operating activities	143,221	121,010
Cash flows from investing activities		
Net investments in 'available for sale' securities	(93,719)	(80,857)
Net investments in 'held to maturity' securities	(1,451)	(4,217)
Net cash inflow on amalgamation	-	14,268
Investment in subsidiary companies	(1,200)	-
Net cash outflow on demerger	(22,214)	-
Proceeds from divestment in associate	295	783
Dividends received	1,603	1,636
Investments in operating fixed assets	(4,261)	(4,440)
Investments in intangible assets	(222)	(305)
Proceeds from sale of non-banking assets acquired in satisfaction of claims	682	108
Sale proceeds of operating fixed assets and intangible assets disposed off	574	36
Exchange differences on translation of the net investment in foreign branches	1,146	317
Net cash flows used in investing activities	(118,767)	(72,671)
Cash flows from financing activities		
Redemption of Subordinated loan	(2)	(1)
Dividend paid	(20,091)	(17,202)
Net cash flows used in financing activities	(20,093)	(17,203)
Cash and cash equivalents transferred to MIB under the scheme of demerger	(723)	-
Effects of exchange rate changes on cash and cash equivalents	5,575	1,041
Increase in cash and cash equivalents	9,213	32,177
Cash and cash equivalents at beginning of the year	103,968	77,366
Cash and cash equivalents at end of the year	113,181	109,543

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

Markup and Non Markup Income

Rs. in Million

Markup Income

Loans and advances	Investments	Lendings to Financial Institutions	Balance with banks
--------------------	-------------	------------------------------------	--------------------

2018	2017	2016	2015	2014	2013
36,964	26,931	22,956	26,128	28,922	24,990
44,719	46,876	44,226	54,010	47,835	39,233
1,390	174	122	176	481	746
246	111	97	79	31	95
83,319	74,091	67,400	80,393	77,269	65,064

Markup Expense

Deposits	Borrowings	Subordinated loan	Others
----------	------------	-------------------	--------

32,081	22,105	18,313	23,326	30,341	23,561
4,253	8,837	4,556	7,185	2,790	2,813
308	138	-	-	-	-
663	349	717	566	626	822
37,305	31,429	23,586	31,077	33,757	27,196

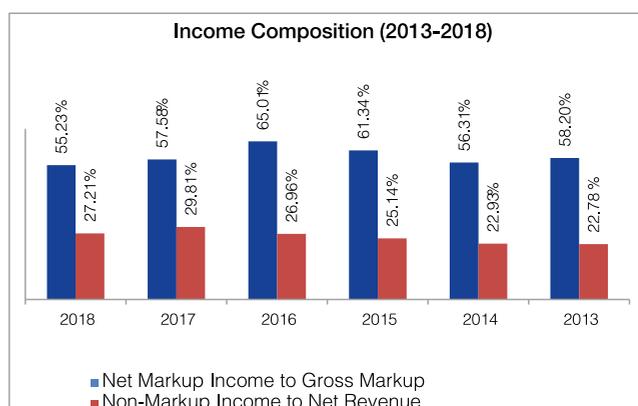
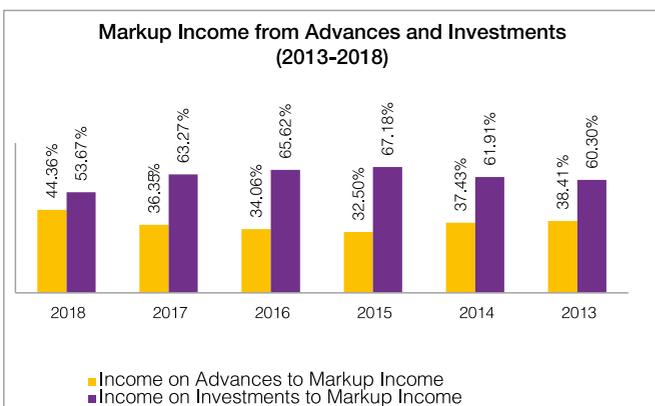
Net Markup Income

46,014	42,662	43,814	49,316	43,512	37,868
---------------	---------------	---------------	---------------	---------------	---------------

Non Markup Income

Fee, Commission & Brokerage Income	Dividend Income	Foreign exchange income	Gain on securities	Other Income
------------------------------------	-----------------	-------------------------	--------------------	--------------

2018	2017	2016	2015	2014	2013
10,731	9,741	7,640	7,842	7,225	6,741
1,280	1,941	1,456	1,267	1,061	933
3,420	1,636	912	946	1,443	917
1,293	4,741	5,679	4,429	1,648	2,130
474	58	488	2,083	1,566	450
17,198	18,118	16,175	16,566	12,944	11,171

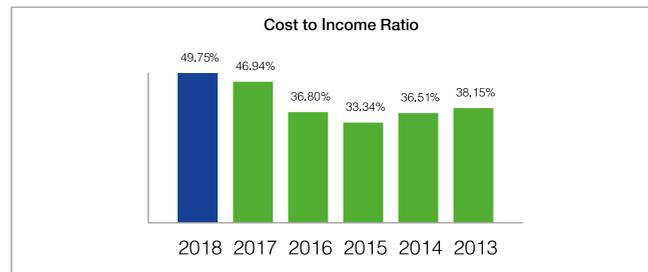
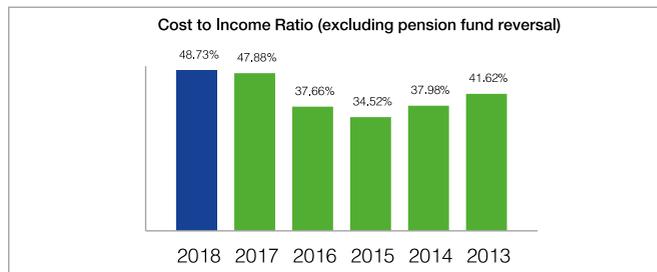


Administrative Expenses

Rs. in Million

	2018	2017	2016	2015	2014	2013
Total compensation expense	14,053	12,301	9,111	8,962	8,834	8,824
Property expense						
Rent & taxes	1,959	1,526	1,047	1,044	943	882
Insurance	26	27	24	25	26	22
Utilities cost	1,095	911	739	745	747	580
Fuel Expense	514	459	368	545	680	617
Security (including guards)	1,603	1,392	1,178	1,034	866	583
Repair & maintenance (including janitorial charges)	945	790	660	516	416	143
Depreciation	458	383	385	390	371	370
	6,599	5,487	4,400	4,300	4,049	3,197
Information technology expenses						
Software maintenance	785	601	565	530	563	515
Hardware maintenance	364	349	239	239	183	131
Depreciation	560	527	500	608	481	468
Amortization	256	244	366	364	360	260
Network charges	616	621	554	631	456	340
Insurance	4	5	6	5	5	6
	2,584	2,347	2,230	2,376	2,048	1,720
Other operating expenses						
Directors' fees and allowances	41	39	35	35	34	32
Legal & professional charges	302	328	265	212	282	272
Outsourced services costs	1,119	1,167	818	830	686	642
Travelling & conveyance	343	293	396	236	238	142
NIFT clearing charges	146	136	126	138	139	124
Depreciation	963	820	688	574	521	437
Depreciation on non-banking assets	49	30	29	-	-	-
Training & development	51	60	51	45	35	41
Postage & courier charges	271	323	247	267	219	219
Communication	317	384	306	308	290	304
Stationery & printing	704	646	543	609	561	503
Marketing, advertisement & publicity	518	531	483	362	315	119
Donations	1	12	13	-	40	25
Auditors Remuneration	34	41	24	39	34	32
Cash transportation charges	744	631	551	545	550	482
Repair & maintenance	826	775	600	533	477	436
Subscription	24	18	27	16	18	20
Entertainment	233	235	186	174	160	148
Credit Card Related Expenses	738	562	415	348	298	238
CNIC verification charges	138	107	76	62	60	53
Insurance	821	254	236	711	509	547
Others	473	431	215	286	212	154
	8,854	7,823	6,332	6,329	5,680	4,969
Operating expenses excluding compensation	18,038	15,657	12,963	13,006	11,778	9,886
Total operating expenses	32,091	27,958	22,074	21,968	20,612	18,710

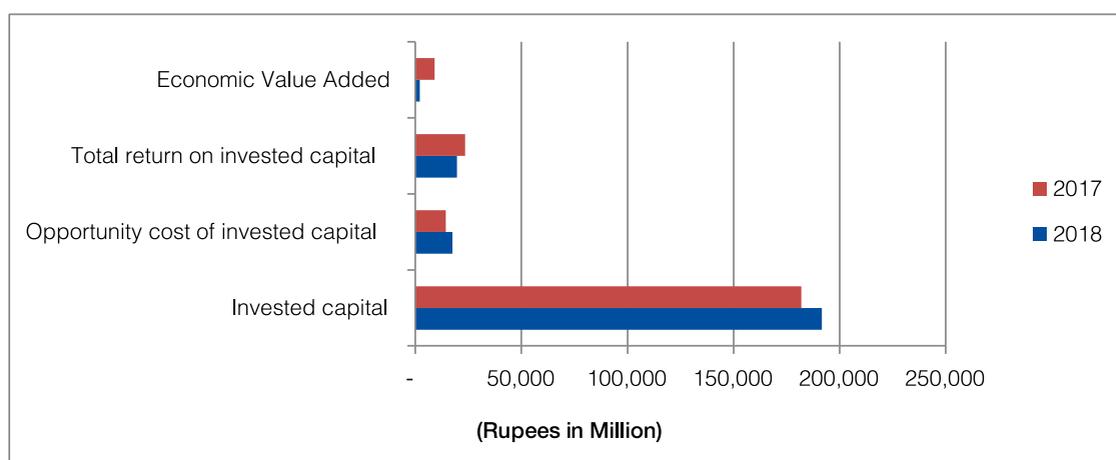
Cost to income ratio (excluding pension fund reversal)



Economic Value Added Statement

Economic value added is a measure of profitability which takes into consideration the cost of total invested equity.

	2018	2017
	(Rupees in Million)	
Invested Capital		
Average shareholders' equity	138,012	127,220
Add: Cumulative provisions against assets	53,626	54,705
	191,638	181,924
Return on Invested Capital		
Profit after taxation	21,360	22,459
Add: (Reversals) / provisions and write offs - net	(1,753)	1,045
Total return on invested capital	19,606	23,504
Economic cost (12 months average Treasury Bill rate plus 2% risk premium)	9.10%	7.91%
Opportunity cost of invested capital	17,439	14,390
Economic Value Added	2,167	9,114



Comments:

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

Capital Expenditures

Capital expenditure during the year:

The total capital expenditure during 2018 was Rs. 4.5 billion for business expansion, renovation and improvement of IT infrastructure.

Capital expenditures planned for next year:

The Bank has budgeted capital expenditure of Rs. 6.6 billion for the next year. This would primarily be invested in increasing our operational outreach, continuous improvement in our Information Technology platforms, safeguarding our existing infrastructure / relationships from growing threats on cyber security front along with normal replacements to ensure smooth operations.

Six Years' Vertical Analysis Statement of Financial Position/ Profit & Loss

	2018		2017		2016		2015		2014		2013	
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%						
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	103,175	7%	106,072	8%	74,222	7%	60,568	6%	46,754	5%	59,946	7%
Balances with other banks	11,879	1%	4,579	0%	4,344	0%	3,611	0%	3,016	0%	1,537	0%
Lendings to financial institutions	35,106	2%	4,398	0%	2,810	0%	3,080	0%	1,418	0%	1,225	0%
Investments	749,369	50%	656,964	49%	555,929	52%	565,696	56%	511,137	55%	449,006	55%
Advances	503,581	34%	469,356	35%	348,117	32%	304,122	30%	303,559	32%	248,243	30%
Fixed assets	41,070	3%	39,170	3%	32,409	3%	29,227	3%	30,498	3%	28,006	3%
Intangible assets	372	0%	404	0%	343	0%	723	0%	694	0%	589	0%
Other assets	53,578	4%	62,295	5%	54,191	5%	37,384	4%	37,555	4%	26,956	3%
	1,498,130	100%	1,343,238	100%	1,072,365	100%	1,004,410	100%	934,631	100%	815,508	100%
Liabilities												
Bills payable	15,699	1%	22,681	2%	12,844	1%	11,889	1%	16,628	2%	10,139	1%
Borrowings	216,019	14%	133,070	10%	74,515	7%	118,040	12%	59,543	6%	38,543	5%
Deposits	1,049,038	70%	968,483	72%	781,430	73%	696,805	69%	688,330	74%	632,330	78%
Sub-ordinated loan	3,891	0%	3,893	0%	-	-	-	-	-	-	-	-
Deferred tax liabilities	1,532	0%	4,625	0%	11,260	1%	11,377	1%	10,397	1%	4,201	1%
Other liabilities	62,673	4%	56,921	4%	50,690	5%	28,498	3%	29,630	3%	20,064	2%
	1,348,852	90%	1,189,672	89%	930,739	87%	866,608	86%	804,527	86%	705,277	86%
Net Assets	149,278	10%	153,566	11%	141,627	13%	137,802	14%	130,104	14%	110,231	14%
Represented by												
Share capital	11,851	1%	11,851	1%	11,130	1%	11,130	1%	11,130	1%	10,118	1%
Reserves	74,148	5%	70,866	5%	53,347	5%	51,309	5%	48,830	5%	46,601	6%
Surplus on revaluation of assets	9,747	1%	17,073	1%	23,680	2%	24,616	2%	23,196	2%	12,959	2%
Unappropriated profit	53,532	4%	53,776	4%	53,469	5%	50,747	5%	46,948	5%	40,552	5%
	149,278	10%	153,566	11%	141,627	13%	137,802	14%	130,104	14%	110,231	14%
Profit & Loss Account												
Mark-up earned	83,319	83%	74,091	80%	67,400	81%	80,393	83%	77,269	86%	65,064	85%
Mark-up expensed	(37,305)	-37%	(31,429)	-34%	(23,586)	-28%	(31,077)	-32%	(33,757)	-37%	(27,196)	-36%
Net mark-up income	46,014	46%	42,662	46%	43,814	52%	49,316	51%	43,512	48%	37,868	50%
Non-mark-up income	17,198	17%	18,118	20%	16,175	19%	16,566	17%	12,944	14%	11,171	15%
Total income	63,212	63%	60,780	66%	59,989	72%	65,882	68%	56,456	63%	49,039	64%
Non-mark-up expenses	(32,902)	-33%	(28,721)	-31%	(22,989)	-28%	(22,895)	-24%	(21,591)	-24%	(19,639)	-26%
Profit before provisions	30,310	30%	32,059	35%	36,999	44%	42,987	44%	34,865	39%	29,400	39%
Provisions & write off	1,753	2%	(1,045)	-1%	(925)	-1%	(659)	-1%	1,864	2%	2,888	4%
Profit before taxation	32,064	32%	31,014	34%	36,075	43%	42,329	44%	36,729	41%	32,288	42%
Taxation	(10,704)	-11%	(8,555)	-9%	(14,184)	-17%	(16,782)	-17%	(12,405)	-14%	(10,793)	-14%
Profit after taxation	21,360	21%	22,459	24%	21,891	26%	25,546	26%	24,325	27%	21,495	28%

Six Years' Horizontal Analysis

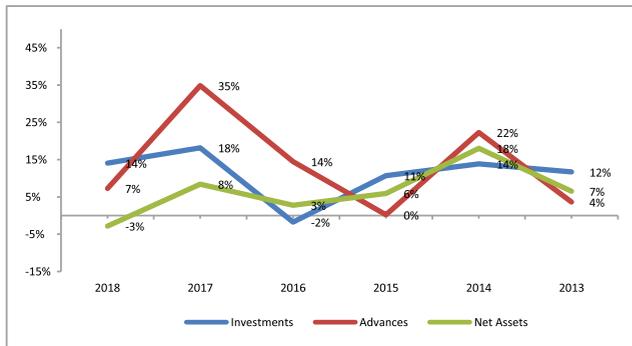
Statement of Financial Position/ Profit & Loss

	2018	18 Vs 17	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12
	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%	Rs. Mln	%
Statement of Financial Position												
Assets												
Cash and balances with treasury banks	103,175	-3%	106,072	43%	74,222	23%	60,568	30%	46,754	-22%	59,946	4%
Balances with other banks	11,879	159%	4,579	5%	4,344	20%	3,611	20%	3,016	96%	1,537	29%
Lendings to financial institutions	35,106	698%	4,398	57%	2,810	-9%	3,080	117%	1,418	16%	1,225	-21%
Investments	749,369	14%	656,964	18%	555,929	-2%	565,696	11%	511,137	14%	449,006	12%
Advances	503,581	7%	469,356	35%	348,117	14%	304,122	0%	303,559	22%	248,243	4%
Operating fixed assets	41,070	5%	39,170	21%	32,409	11%	29,227	-4%	30,498	9%	28,006	16%
Intangible assets	372	-8%	404	18%	343	-53%	723	4%	694	18%	589	16%
Other assets	53,578	-14%	62,295	15%	54,191	45%	37,384	0%	37,555	39%	26,956	-35%
	1,498,130	12%	1,343,238	25%	1,072,365	7%	1,004,410	7%	934,631	15%	815,508	6%
Liabilities												
Bills payable	15,699	-31%	22,681	77%	12,844	8%	11,889	-29%	16,628	64%	10,139	2%
Borrowings	216,019	62%	133,070	79%	74,515	-37%	118,040	98%	59,543	54%	38,543	-51%
Deposits	1,049,038	8%	968,483	24%	781,430	12%	696,805	1%	688,330	9%	632,330	16%
Sub-ordinated loan	3,891	0%	3,893	100%	-	-	-	-	-	-	-	-
Deferred tax liabilities	1,532	-67%	4,625	-59%	11,260	-1%	11,377	9%	10,397	147%	4,201	-56%
Other liabilities	62,673	10%	56,921	12%	50,690	78%	28,498	-4%	29,630	48%	20,064	-5%
	1,348,852	13%	1,189,672	28%	930,739	7%	866,608	8%	804,527	14%	705,277	6%
Net Assets												
	149,278	-3%	153,566	0%	141,627	3%	137,802	6%	130,104	18%	110,231	7%
Represented by												
Share capital	11,851	0%	11,851	6%	11,130	0%	11,130	0%	11,130	10%	10,118	10%
Reserves	74,148	5%	70,866	33%	53,347	4%	51,309	5%	48,830	5%	46,601	5%
Surplus on revaluation of assets	9,747	-43%	17,073	-28%	23,680	-4%	24,616	6%	23,196	79%	12,959	-5%
Unappropriated profit	53,532	0%	53,776	1%	53,469	5%	50,747	8%	46,948	16%	40,552	14%
	149,278	-3%	153,566	8%	141,627	3%	137,802	6%	130,104	18%	110,231	8%
Profit & Loss Account												
Mark-up earned	83,319	12%	74,091	10%	67,400	-16%	80,393	4%	77,269	19%	65,064	-5%
Mark-up expensed	(37,305)	19%	(31,429)	33%	(23,586)	-24%	(31,077)	-8%	(33,757)	24%	(27,196)	-1%
Net mark-up income	46,014	8%	42,662	-3%	43,814	-11%	49,316	13%	43,512	15%	37,868	-7%
Non-mark-up income	17,198	-5%	18,118	12%	16,175	-2%	16,566	28%	12,944	16%	11,171	22%
Total income	63,212	4%	60,780	1%	59,989	-9%	65,882	17%	56,456	15%	49,039	-2%
Non-mark-up expenses	(32,902)	15%	(28,721)	25%	(22,989)	0%	(22,895)	6%	(21,591)	10%	(19,639)	9%
Profit before provisions	30,310	-5%	32,059	-13%	36,999	-14%	42,987	23%	34,865	19%	29,400	-8%
Provisions & write off	1,753	-268%	(1,045)	13%	(925)	40%	(659)	-135%	1,864	-35%	2,888	-1093%
Profit before taxation	32,064	3%	31,014	-14%	36,075	-15%	42,329	15%	36,729	14%	32,288	2%
Taxation	(10,704)	25%	(8,555)	-40%	(14,184)	-15%	(16,782)	35%	(12,405)	15%	(10,793)	-2%
Profit after taxation	21,360	-5%	22,459	3%	21,891	-14%	25,546	5%	24,325	13%	21,495	4%

Commentary on Six Years' Horizontal and Vertical Analysis:

Horizontal Analysis

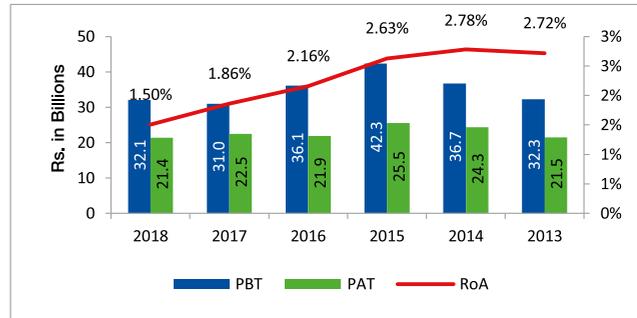
Asset base of the bank has increased considerably over the past 6 years and crossed many milestones i.e. PKR 1 trillion; highest increase in the asset base is observed in 2017 where assets increased by 25%, mainly contributed by advances in terms of volume. This increase also includes assets transferred under merger of NIB Bank into MCB Bank Limited. On an annualized basis, the asset base has recorded an increase of 12% over the last six years. During the past 6 years, highest increase in investment base was reported in 2017 i.e. 18%. Highest growth in advances is observed in 2017 primarily due to portfolio transferred on account of merger of NIB Bank with and into MCB Bank Limited.



The deposit base of the Bank has increased considerably over the years growing from Rs. 632 billion in 2013 to Rs. 1,049 billion in 2018 translating into a CAGR of 12% over past 6 years. Highest increase was reported in 2017, primarily on account of splendid growth in deposits coupled with deposits transferred under merger of NIB Bank into MCB Bank Limited. During the year, MCB transferred business of its 90 branches to MCB wholly owned subsidiary i.e. MCB Islamic Bank Limited and deposits amounting to Rs. 21.9 billion have been transferred under de-merger. Despite this transfer deposits have grown by 8% during the year. Equity of the bank has also posted healthy increase due to higher profitability in past 6 years, translating into 6% average growth in past 6 years.

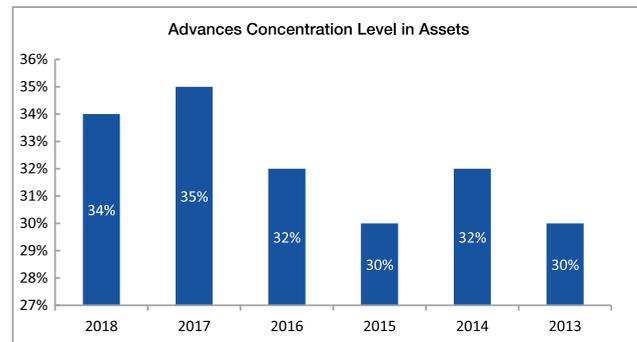
On to Profit and Loss side, gross markup earned has posted an average increase of 3% over a span of six years. This is due to lower discount rate in most part of the last 6 years. Corresponding to the shift in asset mix, contribution from income on investments has increased over the years. The increase 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 total markup expense has increased by 5% over the six year period under coverage.

Non Markup income block has shown enormous growth in recent years and the growth rate in past six years is 11%, whereas non-markup expense has grown by an average of 10% which is justifiable on account of growing operational infrastructure and inflationary patterns. One of the key strengths of the Bank has been its recovery of classified portfolio which is clearly reflected by the reduced / reverse credit charge over the last few years. Provision charge in 2017 & 2018 is primarily on account of Provision made against equity portfolio of the bank based on the volatility observed in the equity market while provision against advances have been reversed considerably over the past 6 years. MCB enjoys one of the highest spreads in the banking industry which are duly reflected in the profitability ratios of the Bank.

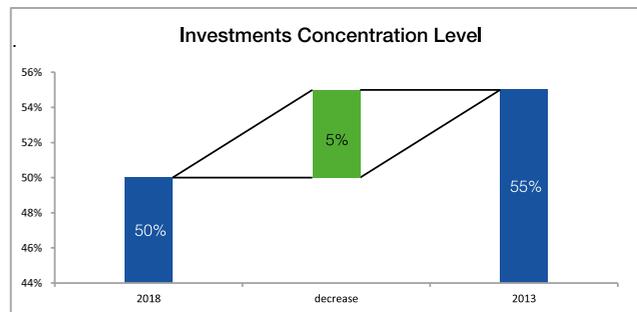


Vertical Analysis

Vertical analysis depicts higher concentration levels of investments and advances in the asset base of the Bank. The advances base of the Bank has posted moderate growth over the last few years due to lack of credit opportunities and intense competition. However, based on the credit uptick in the private sector, the advances base of MCB has increased considerably over the last two years. The concentration level of advances in the total assets stands improved from 30% in 2013 to 34% in 2018.



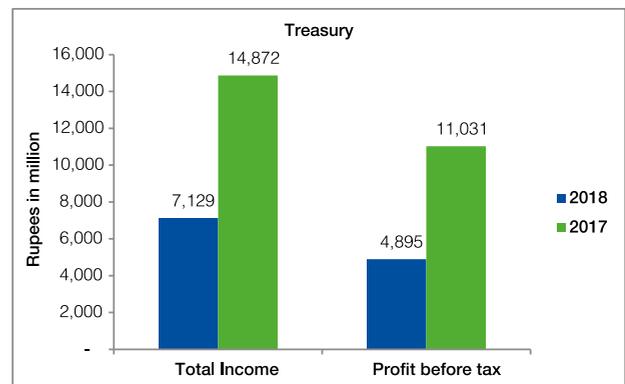
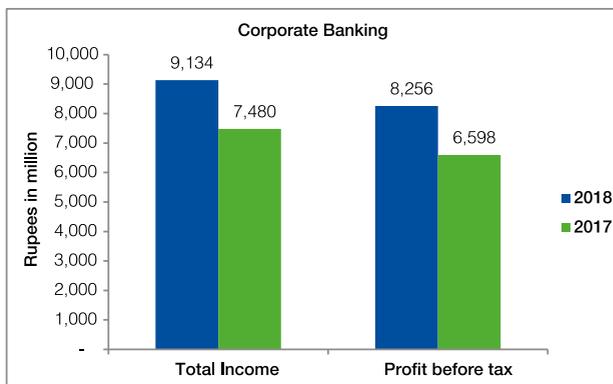
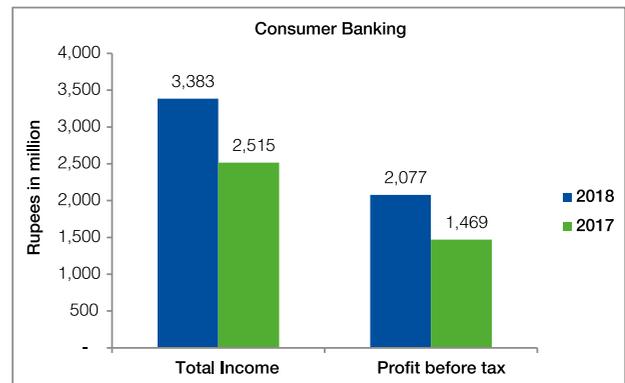
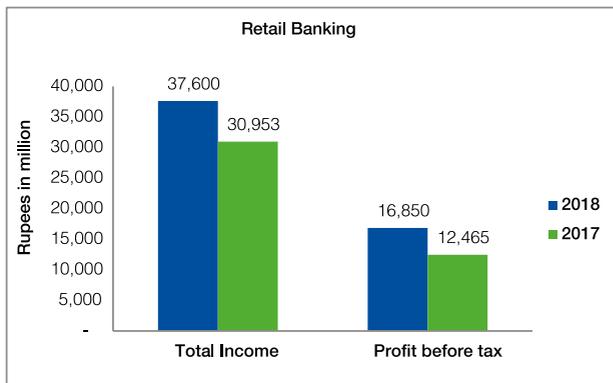
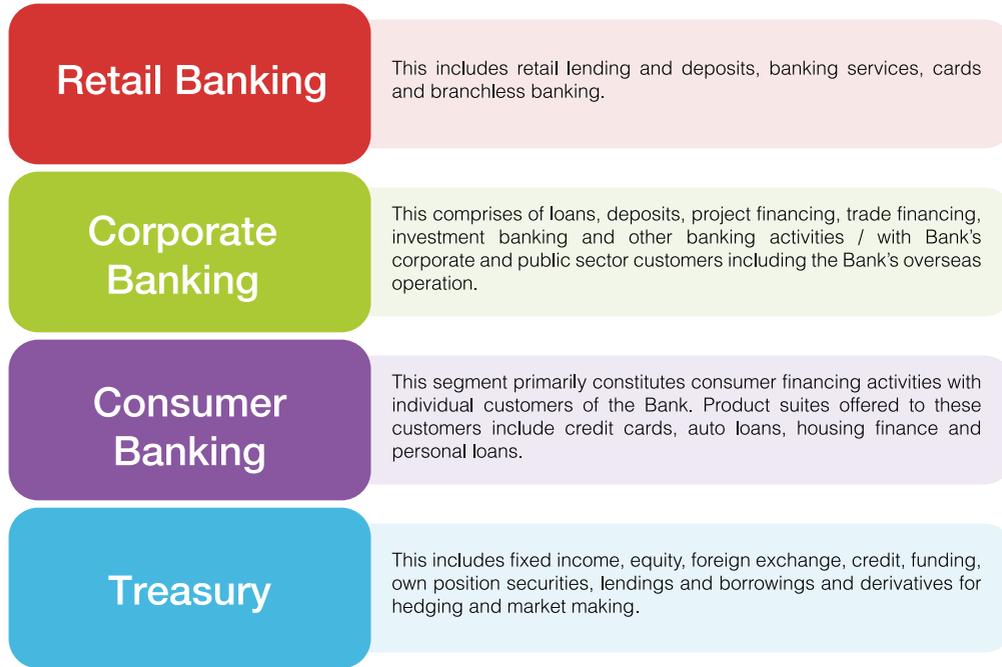
The IDRs of the banking industry registered a huge spike in the year 2013 -2015 on account of higher yielding longer term bonds being offered. However, based on the call that interest rate cycle has bottomed out, a gradual shift to shorter term securities with increased focus on credit was observed. Resultantly, the concentration levels of investments have decreased from 55% in 2013 to 50% in 2017.



Markup income growth has been steady over the last 6 years. The contribution from markup income approximates 83% of the total revenue. Markup expense has increased over the last 6 years, based on regulatory revisions enacted over the period and growth registered in the deposit base. Concentration of Non markup income in total income has increased significantly over the years due to innovative solutions offered to our customers, new products launched, and gain on sale of securities. With the growth in business non markup expense concentration level has also increased from 26% in 2013 to 33% in 2018, which is well within the budgetary limits.

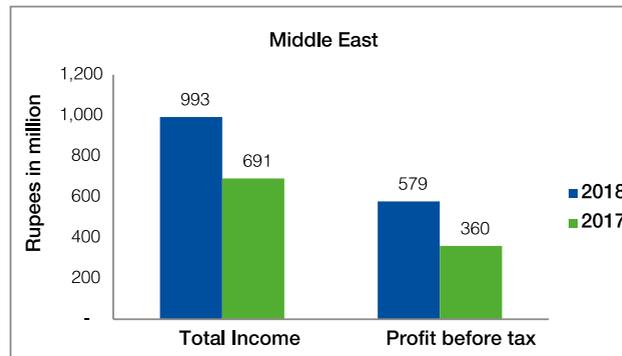
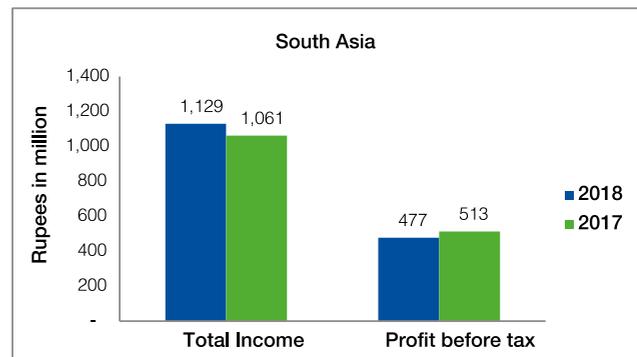
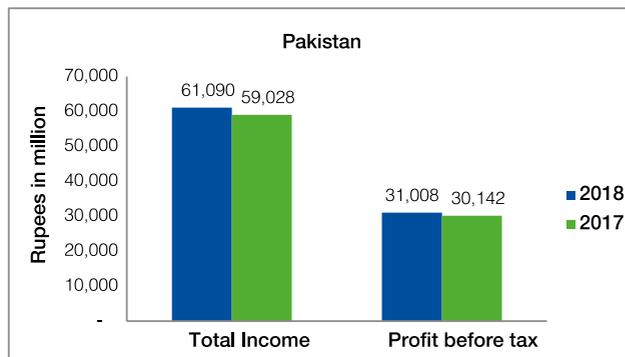
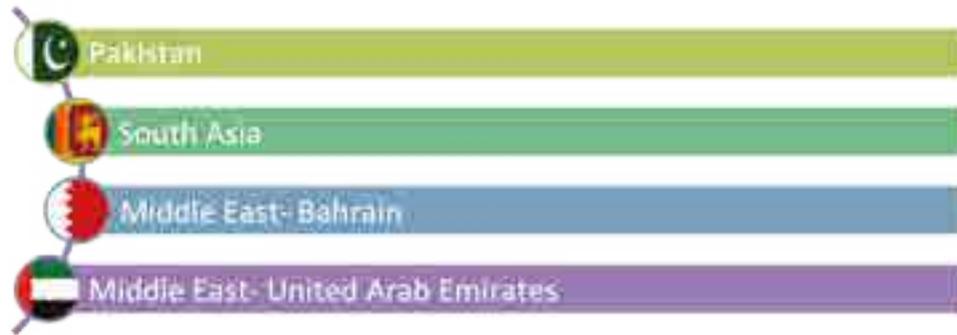
Segment Analysis:

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



Geographical Segment:

The Bank operates in following geographic regions:



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

Statement of Charity & Donation

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

	2018	2017
	(Rupees in '000)	
CHARITY FUND		
Opening balance as on January 01	5,513	10,580
Additions during the year		
Received from customers on delayed payments	25,548	7,406
Dividend purification amount	2,133	592
Profit on charity saving account	308	135
	27,989	8,133
Charity paid during the year	(8,100)	(13,200)
Closing balance as at December 31	25,402	5,513
Detail of charity made during the year is as follows:		
Aziz Jehan Begum Trust for the Blind	700	1,000
Care Foundation Pakistan	700	1,000
Chiniot Anjuman Islamia	600	1,000
Family Welfare Society	600	1,000
Fast – NU Chiniot – Faisalabad Campus	600	1,000
Fatmid Foundation	700	1,000
Infaq Memorial Trust	700	1,000
M/s Qureshi Nazir Education Trust	-	1,000
Mind Organization	-	1,000
Rising Sun Education & Welfare Society	700	1,000
SADA Welfare Foundation	-	1,000
Sindh Institute of Urology & Transplantation (SIUT)	700	1,000
Shaukat Khanam Memorial Cancer Hospital	1,000	-
The Citizens Foundation	600	700
The Lahore Hospital Welfare Society	500	-
Pakistan Student Loan Scheme (Endowment fund)	-	500
	8,100	13,200

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

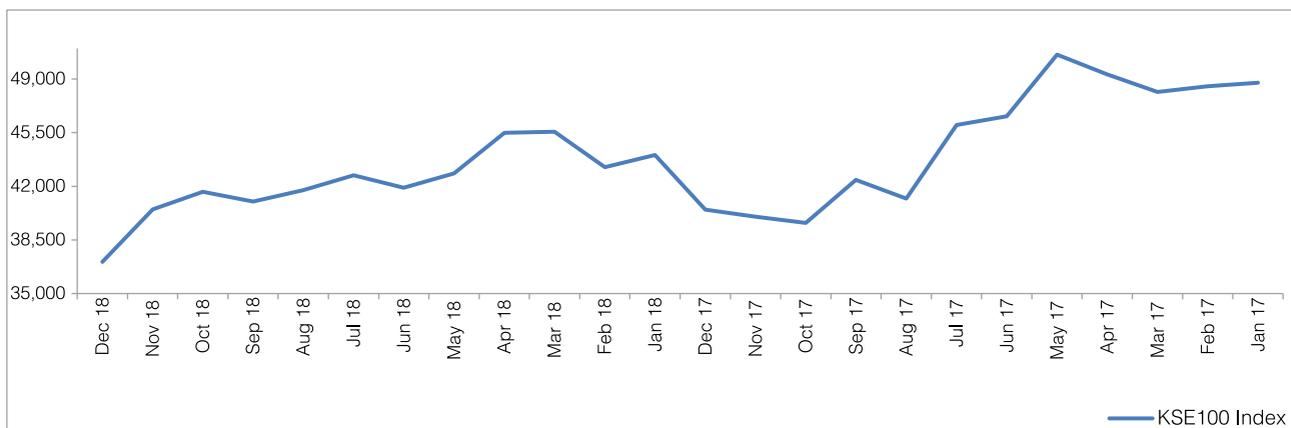
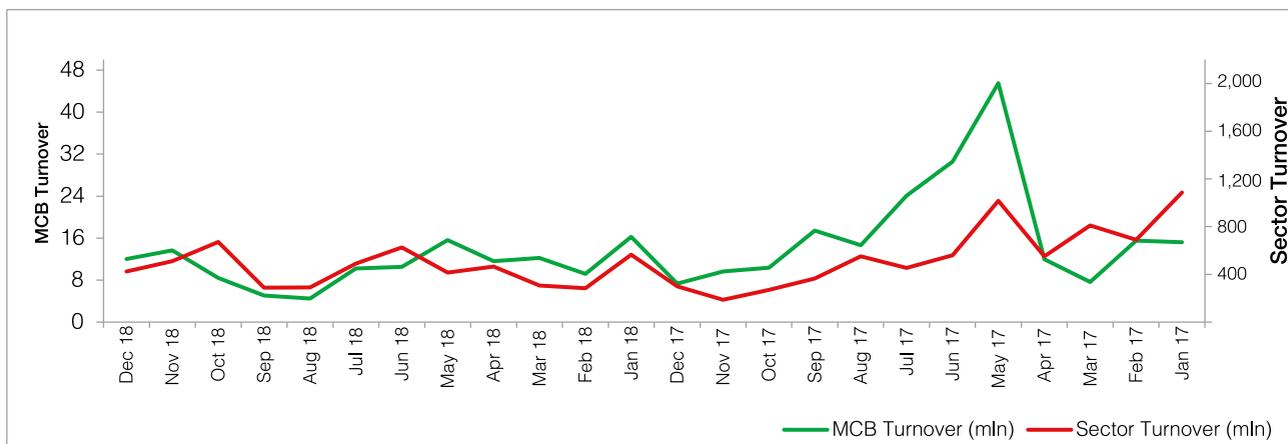
	2018	2017
	(Rupees in '000)	
District Head Quarter Hospital, Gawadar	696	-
Saleem Memorial Trust Hospital	-	5,000
SKMC Hospital & Research Center	-	1,500
Diabetic Association of Pakistan	-	1,000
The Indus Hospital	-	1,000
FRESH Foundation	-	767
Murshid Hospital & Charity Hospital Care Center	-	500
Rising Sun Education & Welfare Society	-	500
The Citizens Foundation	-	500
Pink Ribbon Hospital	-	500
Pakistan Association of the Blind	-	500
Donations individually not exceeding Rs.0.5 million	-	50
	696	11,817

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

Market Statistics of MCB's Share

	Share Prices			Free Float		Market Capitalisation	
	MCB Scrip (Rs.)			Shares ('000s)	%	Capital (Mln)	Value (Mln)
2018	High	Low	Closing				
December 31, 2018	206.48	177.16	193.57	390,648	32.96%	11,851	229,392
September 30, 2018	213.85	189.90	201.21	392,927	33.16%	11,851	238,446
June 30, 2018	220.31	195.47	197.77	392,332	33.11%	11,851	234,369
March 31, 2018	236.56	205.87	220.13	387,941	32.74%	11,851	260,867
2017							
December 31, 2017	214.25	195.15	212.32	385,019	32.49%	11,851	251,612
September 30, 2017	217.58	190.43	209.00	384,030	32.41%	11,851	247,678
June 30, 2017	262.10	201.02	210.43	378,705	34.02%	11,130	234,215
March 31, 2017	255.01	223.12	227.40	378,163	33.98%	11,130	253,103

	2018		2017	
	Mln	%	Mln	%
Final cash dividend	4,740	40	4,740	40
3rd interim dividend	4,740	40	4,740	40
2nd interim dividend	4,740	40	4,740	40
1st interim dividend	4,740	40	4,452	40



Share Price Sensitivity Analysis

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

Discount rate / Monetary Policy

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

Minimum Rate of Return on Deposits/Regulatory Risk

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

Inflation

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

Political Stability & Law and order situation

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

Calendar of Major Events During 2018

Extra - Ordinary General Meeting	January 10, 2018
Annual Results - 2017 approved by Board	February 15, 2018
70th Annual General Meeting	March 27, 2018
1st Quarter Results - 2018 approved by Board	April 25, 2018
De-Merger of 90 Branches	June 01, 2018
2nd Quarter Results - 2018 approved by Board	August 01, 2018
3rd Quarter Results - 2018 approved by Board	October 24, 2018

Historical Events

Incorporation	1947
Nationalisation	1974
Investment in First Women Bank	1989
Privatisation	1991
Incorporation of MCB Financial Services Limited	1992
Incorporation of MNET Services (Private) Limited	2001
Investment in Adamjee Insurance Company Limited	2004
Incorporation of MCB Trade Services Limited	2005
Incorporation of MCB Asset Management Company Limited	2005
Change of name from Muslim Commercial Bank Limited	2005
Issuance and Listing of Global Depository Receipts on London Stock Exchange	2006
Strategic acquisition by Maybank	2008
Incorporation of MCB Leasing Closed Joint Stock Company	2009
Investment in Euronet Pakistan (Private) Limited	2011
Amalgamation of MCB Asset Management Company with Arif Habib Investment Limited	2011
Incorporation of MCB Islamic Banking Limited - a subsidiary company	2014
Merger of NIB Bank with and into MCB Bank Limited	2017
De-Merger of 90 Branches	2018

Strategy and Resource Allocation:

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

Strategic Objectives:

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

Short term	<ul style="list-style-type: none"> • Increase focus on digitalization and automation of processes to enhance efficiency, reduce cost and improve customer satisfaction and improve risk/ compliance standards. • To ensure quality asset retention with measures to constantly decrease the NPLs base of the Bank.
Medium term	<ul style="list-style-type: none"> • To be a top stakeholder value generator in Pakistan's banking sector while remaining a socio-environmentally conscious citizen. • The Bank aims to increase its share in the domestic deposit • To maintain a strong capital base
Long term	<ul style="list-style-type: none"> • 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.

For sustainable growth and meeting the expectations of shareholders and customers, the Bank followed the structured methodology for strategy formulation.



Strategies in place:

Since the customer is at the core of our business, we have given special focus to taking the service quality and service standards to the next level. We will integrate service standards across all the channels and outlets in the network to provide a uniform customer experience.

We will endeavor to meet expectations of each customer. Another aspect in customer interfacing is improving our credit quality and culture. We will thereby give value to our customers across the entire spectrum retail, corporate and SME while improving our asset quality.

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

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

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

Methods and Assumptions in Compiling Indicators

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

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

Market price is the measure of perception of the Bank in the market. The difference between Book Value and Market Value shows investors' confidence on script.

The Bank manages its dividend policy with the purpose of increasing shareholders' wealth. Dividend identifies the amount allocated out of profit for paying cash dividends to shareholders. The dividend payment is an indicator of how well earnings support the dividends. The Bank takes its decisions of cash or stock dividend based on market conditions, share price and governing laws and regulations.

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

Change in Indicators and Performance Measures

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

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

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

Key performance indicators to measure the objectives are as follows:

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

Resource Allocation Plan:

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



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

Nature of capital	Resource allocation plan
Human capital	<ul style="list-style-type: none"> • Redeploy human capital to enhance productivity through segmentation. • Human capital capacity enhancement and capability building by focusing on trainings, talent management and talent retention. • Versatile staff that can multitask easily.
Manufactured capital	<ul style="list-style-type: none"> • Branch layout improvement and widening of branch and ATM network. • Re-align the business model through segmentation to increase the customer base.
Financial Capital	<ul style="list-style-type: none"> • Investment on process automation and IT network improvements • Invest on infrastructure including buildings and equipment. • Invest in good quality asset base with high yield.
Natural capital	<ul style="list-style-type: none"> • Introduce green building concept to branch network by introducing paperless environment and install solar energy equipment in branches • Increase financing to renewable energy projects
Intellectual Capital	<ul style="list-style-type: none"> • Reengineering of processes to capture synergies and customer satisfaction • Improvement in governance culture by utilizing over 71 years of institutionalised knowledge • Introduce new products as per customer needs.
Social and Relationship Capital	<ul style="list-style-type: none"> • Invest in a series of initiatives that enhance collaboration and ongoing dialogue with our customers • Enhance brand image through public awareness campaigns.

Strategy to overcome liquidity problem:

The Bank's large and stable base of customer deposits, along with Bank's strong capital base, indicates strong liquidity position. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio are well over and above the regulatory requirement.

Liquidity position of the Bank is on solid foundation and bank is not facing any liquidity issue. Liquidity position of the bank is discussed in risk management section.

Significant Plans and Decisions

The Board of Directors in their meeting held on October 25, 2017 had approved the "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and its wholly owned subsidiary MCB Islamic Bank Limited (MIB)". The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on February 10, 2018. Under the scheme, the business of 90 branches has been transferred to MIB with effect from the Effective date i.e. close of the business on June 01, 2018.

Net assets transferred are disclosed in note 1 of the unconsolidated financial statements.

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

Significant changes in objectives and strategies:

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

Risk Management Framework

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

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

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

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

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

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

As a matter of principle, the Bank constantly endeavors to improve its Risk Management Framework in the light of the international best practices and regulatory guidelines. A number of policy amendments, to improve the risk management framework, were recommended by RM & PRC and approved by the Board of Directors in 2018. It includes updating of Credit Policies for both domestic & overseas operations and revision of domestic exposure limits by industry and geographic locations.

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

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

Credit Risk Review ensures to minimize credit risk associated at account and portfolio level. During the year 2018, the Bank continued with the policy to remain selective in disbursing its loan to low risk customers across all the industries & maintains a fairly diversified loan portfolio. Bank's non-performing loan to advances ratio of 8.95% remains lower than industry average of over 11%. Risk Review successfully managed to evaluate and approve increased number of loan requests, within required turnaround time, both for domestic and Overseas Operations. An in-house request tracking & turnaround time monitoring software ensures tracking of proposals and monitoring of turnaround-time of credit proposals routed through Risk Management Group.

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

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

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

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

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

The Bank has replaced its in-house developed Operational Risk Management Software with more professionally developed software which has enhanced features and a better workflow management. This new software will further augment Bank's capacity to capture and report operational risk events and KRIs. The software is also capable for periodical regulatory and management reporting. The Bank has developed Information Technology Risk Assessment Framework which enables better management of technology risk properly. The Bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk aware culture in the staff through workshops and on-job awareness.

Capital Structure of the Bank

The Bank remained a well-capitalized institution with a capital base well above the regulatory limits and capital requirements under BASEL frameworks. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 18.13% against the requirement of 11.90% (including capital conservation buffer of 1.90%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 16.02% against the requirement of 6%. Bank has ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.50% of the total RWA, to be maintained in the form of Capital Equity Tier 1 by the year end 2019. The bank maintained a leverage ratio of 7.09% which is well above the regulatory limit of 3.0%.

Liquidity management and strategy to overcome liquidity position

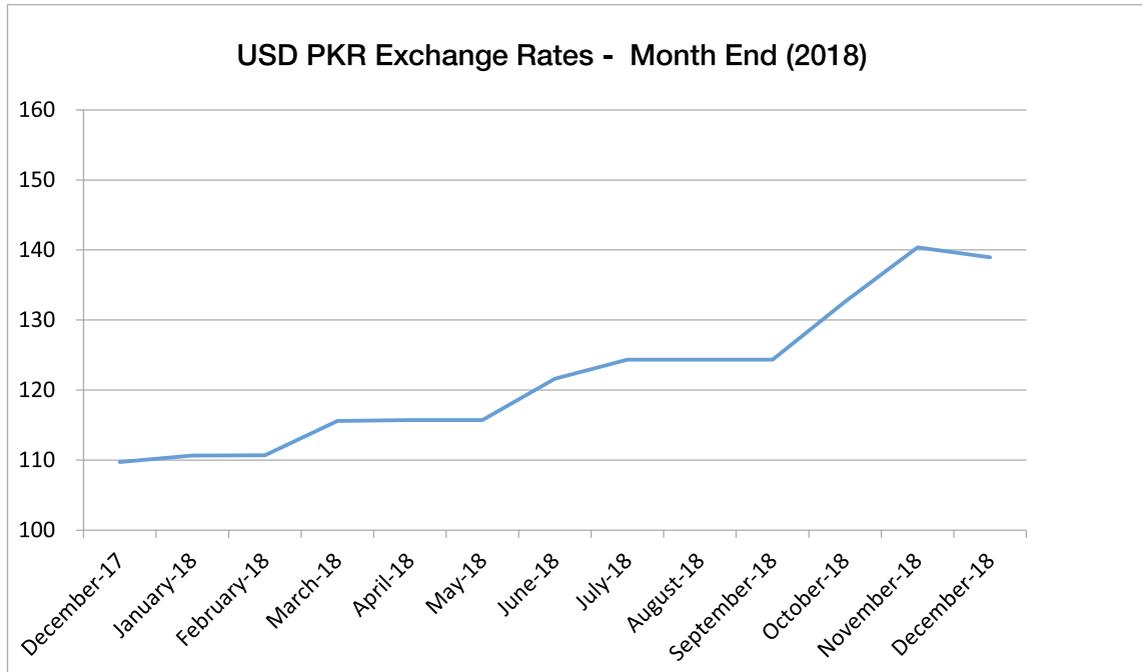
The Asset Liability Management Committee of the Bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding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

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

Further, in line with SBP's directives, Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios. The Bank reported Liquidity Coverage Ratio (LCR) of 178.70% and Net Stable Funding Ratio (NSFR) of 130.6% against requirement of 100%.

Sensitivity analysis due to foreign currency fluctuation

The Pak Rupee depreciated by 25.73% in 2018 YoY against the US Dollar. Foreign exchange risk exposes the bank to changes in the values of current holdings and future cash flows denominated in currencies other than home currency due to the exchange rate fluctuation and volatility. The types of instruments exposed to this risk include investments in foreign branches, foreign currency-denominated loans, foreign currency-denominated deposits, future cash flows in foreign currencies arising from foreign exchange transactions, etc.



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

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

	2018		2017	
	Banking Book	Trading Book	Banking Book	Trading Book
	Rupees in '000'		Rupees in '000'	
Impact of 1% change in foreign exchange rates on -Profit and loss account	-	4,199	-	4,005

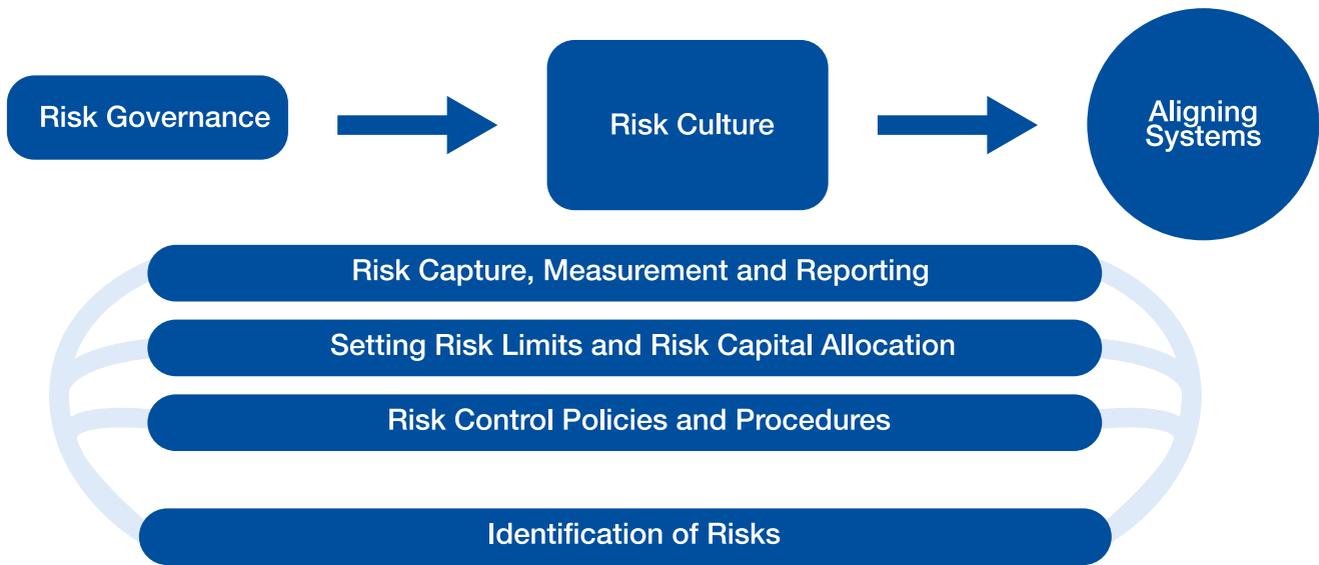
Risks and Opportunities Report

Through its Risk Management Framework and approved risk appetite in place, mechanisms are defined for every identified risk to ensure that the Bank continuously evaluates the associated risk and ensures presence of operational mitigating controls. The Bank remains committed to explore every possible opportunity to translate it into revenues / returns for the stakeholders, while making sure that the related risk is adequately managed.

Risk Governance Structure

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

Graphical presentation of risk governance model is as follows:



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

1st Line Business Units	2nd Line RM&PRC, Management Credit and Risk Committee & GH-RMG	3rd Line Board Audit Committee, Audit
Involved in day-to-day risk management	Oversee and challenge First Line risk taking activities and review First Line risk proposals	Review 1st and 2nd lines
Manage risks within Risk Appetite and ensure laws and regulations are being complied with	Provide guidance and direction	Provide an independent perspective and challenge the process
Ensure systems meet risk data aggregation, risk reporting and data quality requirements set by the Second Line	Develop risk management framework	Assess the adequacy of the design of controls and their operating effectiveness

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

Bank has identified the following risk after analysing the external and internal factors:

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

Materiality Approach

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

Summarised risks, opportunities and related mitigating factors:

Risk type	Materiality rating	Probability of Risk Occurrence	Strategy
Market Risk	High	Medium probability	<p>Measurement: Bank is exposed to market risk through its trading and other investment activities. Metrics like VaR methodologies complemented by sensitivity measures, notional limits, loss triggers at a detailed portfolio level, and stress testing are used to capture and report the multi-dimensional aspects of market risk.</p> <p>Monitoring: A comprehensive structure, ensuring the bank does not exceed its qualitative and quantitative tolerance for market risk, is in place.</p> <p>Management: The bank has followed a conservative and balanced approach towards risk taking in the market risk area. The robust risk management architecture ensures that the exposures remain within the defined risk appetite.</p> <p>Furthermore, a comprehensive control structure is in place to ensure that the Bank does not exceed its qualitative and quantitative tolerance for market risk. A number of metrics like VaR methodologies complemented by sensitivity measures, notional limits, stop loss triggers at portfolio level/asset class, and stress testing are used to capture and report the multi-dimensional aspects of market risk.</p>
Capital Adequacy Risk	High	Low probability	<p>Measurement: The Bank is a well-capitalized institution with a capital base well above the regulatory limits and Basel-III requirements.</p> <p>Monitoring: The Bank regularly assesses the capital requirements and ensures that the minimum capital requirements specified by the State Bank of Pakistan are adhered to. Internal Capital Adequacy Assessment is a regular activity. Stress levels of major risks are assessed against the minimum capital requirement.</p> <p>Regular assessment of capital enables an evaluation of the amount, type and distribution of capital required to cover these risks.</p> <p>Management: The Bank remained a well-capitalized institution with a capital base well above the regulatory limits and capital requirements under BASEL frameworks. The Bank continues with a policy of sufficient profit retention to increase its risk absorption capacity. Bank's total Capital Adequacy Ratio is 18.13% against the requirement of 11.90% (including capital conservation buffer of 1.90%). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 16.02% against the requirement of 6%. Bank has ample cushion in its capital base to meet the Capital Conservation Buffer (CCB) of 2.50% of the total RWA, to be maintained in the form of Capital Equity Tier 1 by the year end 2019. The bank maintained a leverage ratio of 7.09% which is well above the regulatory limit of 3.0%.</p> <p>Going-concern capital requirements are assessed on a forward-looking basis – including as part of the annual budgeting process. These assessments consider the resilience of capital adequacy and leverage ratios under a range of hypothetical future states. The assessments incorporate assumptions regarding a range of regulatory and accounting aspects such as IFRS 9, taking account of a number of factors including economic variables and impairments.</p> <p>The Bank will continue the policy of sufficient profit retention to increase its risk taking capacity and capitalize opportunities to protect the interests of stakeholders in short, medium and long term.</p>

Risk type	Materiality rating	Probability of Risk Occurrence	Strategy
Credit Risk	High	Medium probability	<p>Measurement: Credit Risk Management function identifies, measures, manages, monitors and mitigates credit risk. Credit Risk is measured and estimated through detailed financial and non-financial analyses, internal and external credit risk ratings, and customers' behavior analysis. Stress testing of top customers in credit portfolio is also carried out regularly.</p> <p>Monitoring: Credit Risk Management organizational structure ensures pre and post-facto management of credit risk. Credit Review function carries out pre-fact evaluation of counterparties & the credit structures and hindsight reviews, the Credit Risk Control (CRC) function performs post-fact monitoring including security documentation and limits monitoring. Business side continuously keeps in touch with customers to have updated information about the clients.</p> <p>Management: Bank has been selective in taking exposure on good quality borrowers across all industry segments. Multiple factors in bank's lending structure provide additional comfort and support in mitigating credit risk. These include quality of eligible collateral, pre-disbursement safety measures, post disbursement monitoring, etc. The Bank continues to maintain lower than average industry level NPL ratios. Bank has a fairly diversified loan portfolio. For risk categorized as sovereign/government risk, MCB's lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that ranges from different development related works to utility distribution and production.</p> <p>Credit Risk Review ensures to minimize credit risk associated at account and portfolio level. During the year, the Bank continued with the policy to remain selective in disbursing its loan to low risk customers across all the industries & maintains a fairly diversified loan portfolio. Bank's non-performing loans to gross advances ratio of 8.95 % remains lower than industry average of over 11%. Risk Review successfully managed to evaluate and approve increased number of loan requests, within required turnaround time, both for domestic and Overseas Operations. An in-house request tracking & turnaround time monitoring software ensures tracking of proposals and monitoring of turnaround-time of credit proposals routed through Risk Management Group.</p> <p>For risk categorized as sovereign/ government risk, the lending exposure is spread over multiple government owned or controlled organizations and departments which are engaged in a variety of tasks that range from different development related works to utility distribution and production. To manage adverse outcomes in terms of unfavorable scenarios, multiple control factors in the lending structure of the Bank provide additional comfort and support. Such controls range from quality of eligible collateral, pre-disbursement safety measures to post disbursement monitoring.</p> <p>Through a Four Eye Principle for Credit Approval levels for corporate and retail banking, all such exposure related requests are approved with the formal consent of at least two authorized individuals including one from business side having Credit Approval Authority and other from Risk Management side having Credit Review Authority.</p> <p>The Management Credit & Risk Committee is the management platform for discussion and deliberation on key risk issues in the portfolio. Regular meetings of the committee are convened to oversee the risk exposures in the portfolio of the Bank.</p>

Risk type	Materiality rating	Probability of Risk Occurrence	Strategy
Credit Risk	High	Medium probability	<p>In order to further enhance the credit risk analysis the Bank has in place a Probability of Default based Internal Credit Risk Rating (ICRR) system which is based on statistical modeling and validation in line with Basel principles. The ICRR is currently focused on Corporate and Commercial customer categories.</p> <p>Furthermore; another Internal Credit Risk Rating Model is also in place for rating of SE & ME and Agri Customers. A model for Facility Risk Rating has also been implemented which would reflect expected loss rate of a credit facility.</p>
Liquidity Risk	High	Medium to low probability	<p>Measurement: MCB regularly performs Liquidity Risk Analysis and liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity risk assessments and stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions.</p> <p>Monitoring: Liquidity positions are regularly monitored through established Early Warning Indicators and Liquidity Risk Analysis on regular basis. Liquidity Coverage Ratio and Net Stable Funding Ratios are monitored regularly.</p> <p>Management: MCB's Liquidity Risk Management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure.</p> <p>The Bank's large and stable base of customer deposits, along with Bank's strong capital base, indicates strong liquidity position. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio are well over and above the regulatory requirement.</p> <p>The Asset Liability Management Committee of the bank has the responsibility for the formulation of overall strategy and oversight of the Asset Liability Management function. Board has approved a comprehensive Liquidity Risk Policy (part of Risk Management Policy), which stipulates policies regarding maintenance of various ratios, funding preferences, and evaluation of Banks' liquidity under normal and stress scenarios. The underlying policies and procedures are reviewed and approved regularly at the senior management and Board of Directors Levels including Risk Management policy, Treasury Policy, Investment policy, Contingency Funding Plan, Liquidity Strategy.</p> <p>Bank's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing, to ensure effective and timely decision making. The liquidity risk management approach at MCB involves intra-day liquidity management, managing funding sources and evaluation of structural imbalances in the balance sheet. A large and stable customer deposits base, along with a strong capital base provides strength and support for maintenance of a strong liquidity position. The Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress.</p> <p>Further, in line with SBP's directives, Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios viz. Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) with a considerable cushion over and above the regulatory requirement to mitigate any liquidity risk.</p>

Risk type	Materiality rating	Probability of Risk Occurrence	Strategy
Technological Risk	High	Low probability	<p>Monitoring & Management: The persistent pursuit to provide clients with simplified banking drives MCB to focus on innovative methods of technology application and solutions to compete with peer banks. We also aim to protect client information, to apply controls and compliance consistently, and to develop new controls.</p> <p>The Bank has developed Information Technology Risk Assessment Framework which enables better management of technology risk properly. The Bank has also replaced its in-house developed Operational Risk Management Software with more professionally developed software which has enhanced features and a better workflow management. This new software will further augment bank's capacity to capture and report operational risk events and KRIs. The software is also capable for periodical regulatory and management reporting. The Bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk aware culture in the staff through workshops and on-job awareness.</p>
Country Risk	Low	Medium to low probability	<p>Measurement: Bank's Country Risk exposure is assessed against bank's cross border trade and treasury activities.</p> <p>Monitoring & Management: Monitoring of risk exposure is a regular activity. Country Exposure Limits both for Trade and Treasury exposures are in place, which broadly capture direct and indirect exposure on sovereigns and foreign domiciled counterparties.</p>
Operational Risk	Medium	Medium to low probability	<p>Measurement: In accordance with the Operational Risk policy and framework, a database covering losses, control breaches, near misses & KRIs is being maintained. Major risk events are analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness.</p> <p>Monitoring: Quarterly updates on Operational Risk events are presented to senior management, Management credit and Risk Committee and the Risk Management and Portfolio Review Committee of the Board.</p> <p>Management: The Bank has an internal Operational Risk awareness program which is aimed at building capacity and inculcating risk culture in the staff through workshops and on-job awareness. Banks' capacity to capture & report operational risk events and KRIs is being enhanced by implementing more professionally developed Operational Risk Management Software.</p>
Regulatory Risk	Medium	Medium probability	<p>Measurement: Management of regulatory risk entails early identification and effective management of changes in legislative and regulatory requirements that may affect the Bank.</p> <p>Monitoring & Management: The Bank reviews key regulatory developments in order to anticipate changes and their potential impact on its performance.</p> <p>Bank endeavours to maintain healthy relationships with regulators and continued compliance with regulatory requirements.</p>

Risk type	Materiality rating	Probability of Risk Occurrence	Strategy
Reputation risk	Low	Low probability	<p>Monitoring & Management: Reputational risk is managed on an ongoing basis through a policy framework that details expected behaviour of the business and employees. It guides us on the monitoring of employee behaviour and specific client responses as well as to society in general. This includes precise and transparent reporting through our integrated annual report, annual financial statements and through other public statements. Our risk mitigation strategy includes:</p> <ul style="list-style-type: none"> • a centralised policy on media; • an escalation process for complaints; and • clear relationships with stakeholders

Information about defaults in payment of any debts and reason thereof

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

Inadequacy in the Capital structure and plans to address such inadequacy

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

Opportunities

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