

Directors Report

We are pleased to present, on behalf of the Board of Directors, the 71st annual report of MCB Bank Limited (MCB) for the year ended December 31, 2018.

Economy Review

As the year 2018 drew to a close, there were a handful of trends driving the global economy. Firstly, 2018 saw the Federal Reserve (Fed) raise interest rates in the United States four times during the year by a total of 100 basis points. The Fed believes it will raise interest rates just twice in 2019 owing to softening economic momentum and inflation. Trade tensions between the United States and China also persisted during the year and will continue to dominate events in 2019. The outcome of talks between the two countries will largely dictate trends in global growth for the next year. If the tensions continue, it could have definite implications for global output.

Secondly, as a result of the uncertainty stemming from the US-China trade war, oil prices trickled downwards over the course of 2018, with WTI spot starting the year at \$60 /barrel and ending at \$45. Apart from lower prospects for global economic output which will affect oil demand going forward, record US production has also led to a supply glut in the oil markets. This has come despite the commitment from OPEC and non-OPEC countries to reduce oil supply by 1.2 million barrels a day.

Thirdly, the events in 2018 had made it difficult to ascertain the nature of Brexit that will take place in March 2019. Although Theresa May and the EU have negotiated a deal that would take Britain out of Europe, this is still to be ratified by the UK parliament, and thus, remains uncertain. The markets will be keen to see a softer stance on Brexit, as a hard one would stifle economic growth and be difficult to handle on the onset.

Moreover, growth in the Euro-zone softened in 2018 as the ECB continued to scale back its monetary accommodation measures that had come into place several years ago. In particular, asset purchases were gradually removed and the QE program has now ended. However, the central bank continues to remain cautious and still has not indicated a definite timeline for raising interest rates. The markets, however, expect the first move to come in the later part of 2019.

Meanwhile, Pakistan's economy, despite recording GDP growth of 5.8% in FY18, struggled during the year as the new government and the central bank battled issues on the external and domestic front. Pakistan's current account deficit swelled to \$18 billion in FY18, as imports continued to rise while export improvement remained marginal at best. The trend continued from Jul – Dec FY19, though a bit contained as the current account deficit was registered at \$8 billion. During the first six months, exports remained stable while imports increased by 3.0% from the comparative period last year. Workers' remittances, meanwhile, stood at \$10.7 billion in Jul – Dec FY19, 10% higher than the same period last year. However, the pressures on the external account persisted during the six month of FY 2019.

The PKR, as a result, depreciated by over 25% in the year, relative to the US dollar, beginning the year at 110.41 and ending at 138.86.

Pakistan's foreign exchange reserves continued to deteriorate in 2018, with SBP reserves declining from \$14.1 billion to \$7.2 billion by December 2018. The new government approached friendly countries such as Saudi Arabia, UAE and China. As of year-end, Pakistan had already received \$2 billion in the form of a deposit from Saudi Arabia, while support from other countries is expected to materialize in 2019. The government has also been engaged in active negotiations with the IMF for a bailout package.

To contain pressures on the external front and control expansionary growth, the State Bank of Pakistan raised its policy rate during the year by 4.25%. Year-on-year CPI inflation increased from 4.57% in December 2017 to 6.17% in December 2018 while core inflation continued to rise, increasing from 5.39% to 8.40% YoY. The central bank and the government have taken key measures and remain keen 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 once again.

However, there is still room for more structural reform that will make the economy much more sustainable in the long-run. In particular, the government must take measures to widen the tax net and increase tax collection, improve the ease of doing business and curtail government spending to reduce the budget deficit.

On the external side, the key step is significant improvement in the country's export competitiveness and reduction in the import bill. Large-Scale Manufacturing (LSM) has particularly taken a hit in FY19 so far (-0.90% YoY from Jul – Nov FY19) and so the government must continue to facilitate export-led production. At the same time, non-essential imports need to be further curbed and policies should be geared towards improving the quality of domestic substitutes to meet the demand.

Profit and Appropriation

The profit before and after taxation for the year ended December 31, 2018 together with appropriations is as under:

	Rs. in Million
Profit before taxation	32,064
Taxation	10,704
Profit after taxation	21,360
Un-appropriated profit brought forward	53,776
Other comprehensive income - net of tax	(659)
Surplus realized on disposal of revalued fixed assets - net of tax	99
Transferred in respect of incremental depreciation from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	53
	53,269
Profit available for appropriation	74,629
Appropriations:	
Statutory reserve	2,137
Final cash dividend at Rs. 4.0 per share - December 31, 2017	4,740
Interim cash dividend at Rs. 4.0 per share - March 31, 2018	4,740
Interim cash dividend at Rs. 4.0 per share - June 30, 2018	4,740
Interim cash dividend at Rs. 4.0 per share - September 30, 2018	4,740
Total appropriations	21,097
Un-appropriated profit carried forward	53,532

Dividends

The Board of Directors declared a final cash dividend of Rs. 4.0 per share for the year ended December 31, 2018, which is in addition to Rs. 12.0 per share interim dividends already paid to shareholders, taking the dividend payout ratio to 88.79%. The effect of the recommendation is not reflected in the above appropriations.

Performance Review

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.

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.

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.

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 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.

On the provision side, the recovery trend in the classified portfolio continued to reflect on the profitability numbers with Rs. 2.9 billion reversal.

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.

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.

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.

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.

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.

Demerger of 90 branches from MCB Bank Limited

During the year, the Bank successfully completed the transfer of 90 branches business from MCB Bank Limited to wholly owned subsidiary MCB Islamic Bank Limited.

Risk Management Framework

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

Credit Rating

The Bank enjoys highest local credit ratings of AAA / A1+ categories for long term and short term respectively, based on PACRA notification dated June 27, 2018. Moreover, PACRA has maintained TFC rating of MCB Bank Limited at AAA, through its notification dated June 27, 2018.

Statement on Internal Control

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

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

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

- The financial statements, prepared by the management of the Bank, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes in accounting policies as described in Note 5.1, 5.3, 5.4 and 5.10 to the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained in the Annual Accounts.
- There has been no material departure from the best practices of corporate governance.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- Profit amounting to Rs. 2.1 billion has been transferred to Statutory Reserve for the year 2018.
- The System of Internal Control is sound in design and has been effectively implemented and monitored.
- Key operating and financial data of last six years is presented in the stakeholder's section of this Annual Report.
- Pattern of Shareholding, complying with the requirements prescribed by the code is annexed with this Annual Report.
- Statement of Compliance with Code of Corporate Governance is included in the Annual Report.

- Composition of the Board is given in the Statement of Compliance with the Code of Corporate Governance and corporate governance section of this Annual Report.
- Names of the persons who, at any time during the year 2018, were directors of the Bank have been separately disclosed in the corporate governance section of this Annual Report.
- The Committees of Board of Directors along with their terms of reference/charter have been separately disclosed in the corporate governance section of this Annual Report.
- The number of Board and committees' meetings held during the year and attendance by each Director has been separately disclosed in the corporate governance section of this Annual Report.
- The remuneration policy of non-executive directors including independent directors as approved by the Board of Director is disclosed in the corporate governance section of this Annual Report.
- Details of directors' training programs are given in the statement of compliance with the code of corporate governance;
- Detail of aggregate amount of remuneration separately of executive and non-executive directors is disclosed in note 40 of the unconsolidated financial statements.
- The principal risks and uncertainties facing the Bank have been disclosed separately in this Annual Report.
- The Value of investment of provident and pension fund as at June 30, 2018 on the basis of audited accounts is Rs. 14,789.35 million and Rs. 8,883.49 million respectively.

Events after the Balance sheet date

The Government has proposed 4% Super tax for the Tax year 2018 (accounting year ended December 31, 2017) after year end though not yet approved. The financial statements for the year ended December 31, 2018 do not include the impact of Super tax proposed for tax year 2018.

Corporate Social Responsibility (CSR)

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

Auditors

The retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, being eligible for the next term have offered them selves for reappointment. Upon recommendation of the Audit Committee, the Board recommends appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as the statutory auditors of the Bank for the year 2019 in the forthcoming Annual General Meeting.

Appreciation and Acknowledgements

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

For and on behalf of the Board of Directors,



Imran Maqbool
President & CEO,
MCB Bank Limited



Iqraa Hassan Mansha
Director,
MCB Bank Limited

February 20, 2019

انٹیکسٹرز رپورٹ:

یورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی بینک لمیٹڈ کی 71 ویں سالانہ رپورٹ برائے سال ختم 31 دسمبر 2018ء کو بہ مرت پیش کرتے ہیں۔

حاشی جائزہ:

ال 2018 میں، اپنے اختتام کی طرف بڑھتے ہوئے، ایسے کئی رجحانات ظہور پذیر ہوئے جو عالمی معیشت پر اثر انداز ہو سکتے تھے۔ اول یہ کہ امریکہ میں فیڈرل ریزرو (Fed) نے انٹرسٹ ریش میں اضافہ کیا۔ سال 2018 کے دوران 4 مرتبہ کیا گیا یہ مافہ مجموعی طور پر 100 بنیادی پوائنٹس پر مشتمل تھا۔ فیڈ (Fed) کو یقین ہے کہ متحمل ہوتے معاشی معیار حرکت اور افراط زر کی ۔ سے سال 2019ء کے دوران انٹرسٹ ریش کو محض دو مرتبہ مزید بڑھایا جائے گا۔ امریکہ اور چین کے مابین تجارتی تناؤ اس ال کے دوران جاری رہا اور سال 2019 میں بھی اس رجحان کے تمام معاملات پر عادی رہنے کی توقع ہے۔ ان دونوں مالک کے درمیان مذاکرات کے نتائج آنیوالے سال میں عالمی ترقی کے رجحانات پر خصوصی طور پر اثر انداز ہونگے۔ اگر تناؤ کی ورتحال برقرار رہی، تو اس کے اثرات عالمی پیداوار پر ہونا یقینی ہیں۔

ثم، یہ امریکہ اور چین کی تجارتی جنگ کے نتیجہ میں ابھرنے والی غیر یقینی کی صورتحال کی وجہ سے تیل کی قیمتوں میں سال 2018ء ے گرائی ہوئی۔ ڈبلیو آئی سیٹ (WTI-Spot) سال کے شروع میں 60 امریکی ڈالر فی بیرل سے گزر کر سال کے تمام تک 45 امریکی ڈالر پر بند ہوا۔ عالمی معاشی پیداوار میں کمی کے خدشات کے باوجود، جو مستقبل میں تیل کی طلب کو متاثر رے گی، امریکہ میں ہونے والی ریکارڈ پیداوار بھی تیل کی مارکیٹ میں فراوانی کی وجہ سے ایک اور تناؤ اور ناکامی کی تیل کی رادار کو 1.2 بلین بیرل یومیہ کی کمی تک لانے کی یقین دہانی کے باوجود، طلب و رسد کا یہ سبب تغیر وقوع پذیر ہوا۔

م یہ کہ 2018ء کے دوران ہونے والے واقعات کی بناء پر بریگزٹ (Brexit)، جو کہ مارچ 2019 میں متوقع ہے، کی ورتحال کو غیر یقینی سے دوچار کر دیا ہے۔ اگرچہ تقریباً سائے اور یورپی یونین کے مابین ایک ڈیل پر اتفاق ہو گیا ہے، جس کے تحت طانیہ یورپ سے باہر نکل جائے گا۔ تاہم اس ڈیل کی برطانیہ کی پارلیمنٹ سے تصدیق ہونا باقی ہے، لہذا غیر یقینی برقرار ہے۔

بلیس بریگزٹ پر قدرے نرم بنیاد کو یکھنے کی مشتاق ہیں کیونکہ سخت بنیاد سے معاشی ترقی پر منفی اثرات مرتب ہونے کی امید ہے راس پر آغا غا سے ہی عملدرآمد ایک مشکل عمل ہے۔ مزید برآں 2018 میں یورو۔زون میں نمودار سے متحمل رہی، جیسا کہ ای بائی (ECB) نے اپنے کئی سال پہلے سے لئے گئے مالیاتی سہولت کے اقدامات میں تخفیف کے عمل کو جاری رکھا ہے۔ خاص ر پر خریدے گئے اثاثوں کا بتدریج خاتمہ اور (QE) کیوا کی پروگرام بھی اب ختم ہو چکا ہے۔

ہم مرکزی بینک کا فی خفاطو رے کا مظاہرہ کر رہا ہے اور ایک انٹرسٹ ریش کے بڑھانے کے بارے میں واضح تاہم لائن کا اظہار نہیں یا گیا۔ بحرحال مارکیٹس اس بارے میں پہلے اقدام کی توقع 2019 کے آخر میں رکھتی ہیں۔

ما دوران پاکستان کی معیشت مالی سال 2018 میں 5.8 فیصد کی شرح نمو حاصل کرنے کے باوجود اس سال کے دوران نکلات میں گھری رہی جیسا کہ نئی حکومت اور مرکزی بینک بیرونی اور اندرونی محاذ پر نمودار ہونے والے معاملات سے خبردار زما ہے ہیں۔

ما سال 2018 میں پاکستان کا کرنٹ اکاؤنٹ کا خسارہ بڑھتے ہوئے 18 بلین امریکی ڈالر تک جا پہنچا اور درآمدات میں صوتی رجحان برقرار رہا، جبکہ برآمدات میں بہتری کے باوجود معمولی اضافہ ہوا۔ مالی سال 2019 جولائی۔دسمبر کے دوران یہ خان قدرے بہتری کے ساتھ جاری رہا جیسا کہ کرنٹ اکاؤنٹ کا خسارہ 8 بلین امریکی ڈالر پر درج کیا گیا۔ پہلے چھ ماہ کے ران برآمدات میں استحکام برقرار رہا جبکہ درآمدات میں گزشتہ تقابلی مدت کی نسبت 3 فیصد کی بڑھوتی ہوئی۔

ما دوران افرادی ترسیلات مالی سال 2019ء کے جولائی تا دسمبر کے عرصہ میں گزشتہ تقابلی مدت کی نسبت 10 فیصد کے اضافہ لے ساتھ 10.7 بلین امریکی ڈالر پر درج کی گئیں۔ تاہم بیرونی اکاؤنٹ پر دباؤ مالی سال 2019ء کے سچھ ماہ کے عرصہ کے ران برقرار رہا۔

اس سال پاکستانی روپیہ امریکی ڈالر کے مقابلہ میں 25 فیصد کی تیزی کا شکار رہا اور سال کے شروع میں 110.41 روپے سے بڑھ ہوا سال کے اختتام تک 138.86 روپے فی امریکی ڈالر پر جا پہنچا۔ پاکستان کے زرمبادلہ کے ذخائر میں، سال 2018 کے دوران بھی، کمی کا رجحان برقرار رہا۔ انٹیٹ بینک آف پاکستان کے ذخائر 14.1 بلین امریکی ڈالر سے دسمبر 2018 تک کم ہوئے 7.2 بلین امریکی ڈالر پر درج ہوئے۔ نئی حکومت نے دوست ممالک جن میں سعودی عرب، متحدہ عرب امارات اور چین۔ اس بارے میں رابطہ کیا۔ چنانچہ سال کے آخر تک پاکستان سعودی عرب سے 2 بلین امریکی ڈالر کی رقم بطور ڈیپازٹ وصول کر۔ ہے۔ دوسرے ممالک سے مالی تعاون سال 2019 کے دوران ملنے کی امید ہے۔ حکومت نے آئی ایم ایف (IMF) سے بھی تا آؤٹ چیک کیلئے جامع مذاکرات کر رہی ہے۔

بیرونی محاذ پر دباؤ اور ترقی کی وسعت کو کنٹرول کرنے کیلئے انٹیٹ بینک آف پاکستان نے اس سال کے دوران پالیسی ریش یت 4.25 فیصد کا اضافہ کیا ہے۔ سال بہ سال کی بنیاد پر پی آئی (CPI) افراط زر دسمبر 2017 کی 4.57 فیصد کی شرح سے بڑھ دسمبر 2018 میں 6.17 فیصد کی شرح پر درج کیا گیا۔ جبکہ خالص افراط زر میں بھی اضافہ جاری رہا، سال بہ سال کی بنیاد پر 5.39 فیصد سے بڑھتے ہوئے 8.40 فیصد پر جا پہنچا۔ مرکزی بینک اور حکومت نے اس بارے میں اہم اقدامات اٹھائے ہیں ا معیشت کے عدم توازن کو درست کرنے کیلئے نر امید ہیں۔

سال 2019ء کی طرف بڑھتے ہوئے ہم کو یقین ہے کہ ان اقدامات کے سبب مجموعی طلب کو محدود کرنے میں مدد ملے گی اور معیشت ایک مرتبہ پھر طویل المدت ترقی کی راہ پر گامزن ہوگی۔ تاہم صورتحال میں ابھی مزید بہتر اصلاحات کی گنجائش موجود ہے جو کہ معیشت طویل مدت میں ترقی کو زیادہ پائیدار اور مستحکم کر سکے۔

حکومت کو، خاص طور پر، ایسے اقدامات لینا ہوں گے جن سے ٹیکس نیٹ میں اضافہ ہو سکے، ٹیکس کی وصولیاں بڑھ سکیں، کاروبار کرنے یت سہولت ہو سکے اور حکومتی اخراجات میں کمی ہو۔ تاکہ بجٹ کے خسارہ کو کم کیا جاسکے۔ بیرونی محاذ پر سب سے اہم قدم ملکی برآمدات مسابقت میں قابل ذکر بہتری اور درآمدات کے مل میں کمی ہے۔ بڑے پیمانے کی صنعت نے خاص طور پر مالی سال 2019 میں بہر منفی اثر برداشت کیا ہے (منفی 0.90 فیصد۔ مالی سال 2019 کے جولائی تا نومبر کے عرصہ میں سال بہ سال کی بنیاد پر) چنانچہ حکومت کو برآمدات سے متصل صنعت کے فروغ کیلئے اقدامات کو جاری رکھنا چاہیے۔ اسی اثناء میں غیر ضروری درآمدات کی حوصلہ شکنی کر۔ کی ضرورت ہے اور ملک میں دستیاب متبادل اشیاء کے معیار کو بہتر بنانے کی بھی ضرورت ہے تاکہ ان کی طلب کو پورا کیا جاسکے

منافع اور تخصیص:

31 دسمبر 2018ء کو اختتام پذیر سال میں منافع قبل و بعد از ٹیکس اور تخصیص، مندرجہ ذیل ہے۔

منافع قبل از ٹیکس	ملین روپے
ٹیکس	32,064
منافع بعد از ٹیکس	10,704
	21,360
افتتاحی غیر تخصیص شدہ منافع	53,776
دیگر جامع (کمپریٹینڈ) آمدنی خالص بعد از ٹیکس	(659)
پائیدار اثاثوں کے سرمایہ پر فروخت سے حاصل آمدن (خالص از ٹیکس)	99
پائیدار اثاثوں کی تجدید نو سے اضافی آمدنی کی غیر تخصیص شدہ منافع	
اکریٹیکل ڈیپریسی ایشن کی منتقلی	53
	53,269
تخصیص کے لیے دستیاب منافع:	74,629
تخصیص:	
قانونی ریزرو	2,137
حتی کیش ڈیویڈنڈ 4 روپے فی حصص 31 دسمبر 2017	4,740
عبوری کیش ڈیویڈنڈ 4 روپے فی حصص 31 مارچ 2018	4,740
عبوری کیش ڈیویڈنڈ 4 روپے فی حصص 30 جون 2018	4,740
عبوری کیش ڈیویڈنڈ 4 روپے فی حصص 30 ستمبر 2018ء	4,740
کل تخصیص	21,097
اختتامی غیر تخصیص شدہ منافع	53,532

ڈیویڈنڈ:

بورڈ آف ڈائریکٹرز نے 31 دسمبر 2018ء کو اختتام پذیر سال کیلئے 4 روپے فی حصص کے حتی کیش ڈیویڈنڈ کا اعلان کیا ہے جو کہ حصص یافتگان کو 12 روپے فی حصص کے پہلے سے ادا شدہ عبوری ڈیویڈنڈ کے علاوہ ہے اور اس طرح ڈیویڈنڈ ادا کرنے کی شرح 88.79 فیصد پر ریکارڈ ہوئی ہے۔ اس اعلان کے اثرات کو مندرجہ بالا تخصیص میں شمار نہیں کیا گیا ہے۔

کارکردگی کا جائزہ:

ایم سی بی بینک لمیٹڈ کو سال 2018ء میں سب سے بلند ترین منافع شاکر کرنے والے بینک کے طور پر گردانا گیا ہے۔ غیر مجموعی بنیاد پر (unconsolidated) بینک کے منافع قبل از ٹیکس میں گزشتہ سال کی نسبت 3 فیصد کی بڑھوتری کے ساتھ اس کا حجم 32.06 ملین روپے پر درج ہوا ہے۔

سال 2018ء کے دوران میکرو اکنامک معاملات میں نمایاں تبدیلیوں اور اسکے ساتھ ڈسکونٹ ریٹ میں 425 بی پی ایس کے نسبتاً عمومی اضافہ سے کارکردگی کے ماحول کو زیادہ مشکل اور چیلنجنگ بنا دیا۔ انٹرسٹ ریٹ میں ہونے والی تبدیلیوں کی پیش بینی کرتے ہوئے بینک نے اپنی توجہ اثاثوں کی بنیاد کو کم مدت کی میچورٹیز پر مخصوص کرنے پر رکھی۔ جس کے نتیجے میں گزشتہ سال کی نسبت خالص انٹرسٹ آمدنی میں 8 فیصد کا اضافہ حاصل ہوا۔

گراس مارک اپ کے حوالہ سے بینک نے گزشتہ سال کی نسبت 9.2 ملین روپے کا اضافہ رپورٹ کیا۔ پیداواری اثاثوں کا تجزیہ اس امر کا عکاس ہے کہ قرضہ جات کی آمدنی میں 10 ملین روپے کا اضافہ ہوا۔ جس کی بنیادی وجہ اوسط قرضہ جات کے حجم میں 83 ملین روپے کا اضافہ اور اس کے ساتھ 92 بی پی ایس کی آمدنی کی شرح میں بڑھوتری تھی۔

سرمایہ کاری کی مد میں اوسط حجم میں 66 ملین روپے کی کمی کے باعث، گراس مارک اپ آمدنی میں 2.2 ملین روپے کی کمی ہوئی۔ کاسٹ آف ڈیپازٹس میں گزشتہ سال کی نسبت 69 بی پی ایس کا اضافہ ہوا ہے جو کہ بڑھتے ہوئے انٹرسٹ ریٹس سے ہم آہنگ ہے۔ کم لاگت کے ڈیپازٹس کی اساس کے فروغ کی حکمت عملی پر عمل پیرا ہوتے ہوئے بینک نے گزشتہ سال کے مقابلہ میں اپنے اوسط ڈیپازٹس میں 123 ملین روپے کا اضافہ درج کیا ہے، جس میں کرنٹ اور سیونگ اکاؤنٹس کا واضح کردار ہے۔

بینک کی اوسط بورریگ (borrowing) کے حجم میں گزشتہ سال کی نسبت 84 ملین روپے کی نمایاں کمی ہوئی۔ بینک کی نان مارک اپ آمدنی 17.2 ملین روپے پر درج ہوئی جس میں زیادہ تر حصہ فیس، کمیشن آمدنی اور غیر ملکی کرنسیوں کی ڈیلنگ سے حاصل ہونے والی آمدنی کا رہا۔ مصنوعات اور خدمات میں باہمی فروخت پر توجہ میں جاری اضافہ کے باعث فیس کی آمدنی 10 فیصد بڑھی جس میں زیادہ کردار کا رڈ سے متعلق آمدنی، ترسیلات، کیش منجمنٹ، تجارتی کمیشن اور بینکا انشورنس (bancassurance) کا رہا۔

کمپیٹل مارکیٹ کے مجاز پر محدود کاروائی کے باعث آمدنی متاثر ہوئی۔ تاہم بینک نے فارن ایکسیج کی مد میں ہونے والی تبدیلیوں کا بھرپور فائدہ اٹھایا جس کے نتیجے میں فارن ایکسیج آمدنی میں گزشتہ سال کی نسبت 1.8 ملین (+109%) کا اضافہ دیکھا گیا۔

انتظامی اخراجات کی مد میں (پنشن فنڈ کے علاوہ) افریقی دہاؤ میں اضافہ اور اس کے ساتھ روپے کی قیمت میں نمایاں متزلزل اور اپنی کارکردگی کی وسعت میں اضافہ کے باوجود بینک اپنے اخراجات کی بڑھوتری کو 10 فیصد تک محدود رکھنے میں کامیاب رہا۔ جولائی 2018ء میں متعارف کی گئی ڈیپارٹ پرفیکشن پریمیم کے حوالہ سے ضوابطی تبدیلی کی لاگت کے علاوہ انتظامی اخراجات میں اضافہ محض 8.27 فیصد تک رہا۔ پنشن کے اخراجات کی مد میں بینک نے معزز پریم کو رٹ کی ہدایات کے تحت اپنے پنشنرز کی مہانہ پنشن میں اضافہ کرتے ہوئے، ماضی میں کی گئی ملازمت کی بناء پر 1.044 ملین روپے کی لاگت کو ریکارڈ کیا ہے۔

پروویژن/اخراجات کے حوالہ سے غیر فعال قرضوں میں وصولیوں کے رجحان کے منافع پر اثرات جاری ہیں، جن کا تین 2.9 ملین روپے پر کیا گیا۔

مالی صورتحال کے تناظر میں غیر مجموعی بنیاد پر بینک کے کل اثاثہ جات کا حجم 1.5 ٹریلین روپے پر رپورٹ ہوئے جو کہ دسمبر 2017 کی نسبت 12 فیصد کے اضافہ کو ظاہر کرتا ہے۔ اثاثوں کی ترکیب کا تجزیہ واضح کرتا ہے کہ خالص سرمایہ کاری میں 92.4 ملین روپے (+14%) کا اضافہ ہوا، جبکہ قرضہ جات میں 31 دسمبر 2017 کی نسبت 34.2 ملین روپے (+7%) کا اضافہ ہوا۔

بڑھتے ہوئے انٹرسٹ ریٹ کے مد نظر سرمایہ کاری کی ترکیب میں سال کے دوران، طویل مدت کے پل آئی بیٹز (PIBS) سے قلیل مدت کے ٹی بیلز (T Bills) میں منتقلی جاری رہی۔ جس کے نتیجے میں ٹی بیلز میں سرمایہ کاری 194 ملین روپے سے بڑھ گئی جبکہ پی آئی بیٹز کی سرمایہ کاری میں 95 ملین روپے کی کمی ہوئی۔

بینک کے غیر فعال قرضے نسبتاً محدود کا شکار رہے اور 203 ملین روپے کے معمولی اضافہ کے ساتھ 48.9 ملین روپے پر درج ہوئے۔ بینک کی کوریج اور ٹیکشن کی شرح بالترتیب 88.26 فیصد (دسمبر 2017 - 93.74 فیصد) اور 8.95 فیصد (دسمبر 2017 : 9.47 فیصد) رہیں۔

واجبات کے حوالہ سے بینک کے بنیادی ڈیپازٹس میں دسمبر 2017 کی نسبت 81 ملین روپے (+8%) کا نمایاں اضافہ ہوا۔ 81 ملین روپے کا یہ اضافہ ایم سی بی کی مکمل ملکیتی ذیلی ادارے ایم سی بی اسلامک بینک لمیٹڈ کو لاہور ہائیکورٹ کے منظور شدہ ڈی مریجری سکیم کے تحت منتقل کئے گئے 22 ملین روپے کے علاوہ ہے۔ سرمائے کی مطلوب ضروریات کی ضوابطی پیمائش کے ساتھ بینک نے پوری صنعت میں سب سے زیادہ کمیشن ڈیویڈنڈ فی حصص کی ادائیگی کی ہے۔ اس کے ساتھ ساتھ عبوری ڈیویڈنڈز میں باقاعدگی اور پاکستانی ایکویٹی مارکیٹوں میں ایک اہم سٹاک کے طور پر اپنی صلاحیت کو برقرار رکھا ہے۔

بینک کی کل کیپٹل ایکویٹی 11.90 فیصد کی مطلوبہ شرح کی نسبت 18.13 فیصد پر رہی (بشمول 1.90 فیصد سرمائے کے تحفظ کے بفر (Buffer) کے)۔ سرمایہ کے معیار کا اظہار بینک کی کامن ایکویٹی ٹائر-1 (Common Equity Tier-1) اور ٹائرل رسک ویٹڈ (Risk Weighted) اثاثوں کی شرح سے ہوتا ہے جو کہ 6 فیصد کی مطلوبہ شرح کی نسبت 16.02 فیصد کی شرح پر درج کی گئی ہے۔ بینک کی کچھلا نزہت کے نتیجہ میں لیوریج کی شرح 3 فیصد کی ضوابطی حد کے مقابلہ میں 7.09 فیصد پر رپورٹ ہوئی۔ بینک نے لیکوڈ ہائی گورننگ کی شرح (LCR) کو 178.70 فیصد اور نیٹ لیئبل فنڈنگ کی شرح (NSFR) کو 100 فیصد کی مطلوبہ حد کے مقابلہ میں 130.6 فیصد پر رپورٹ کیا۔ فی حصص آمدنی (EPS) سال 2017 میں 19.56 روپے فی حصص کی نسبت 31 دسمبر 2018 میں 18.02 روپے فی حصص رہی۔ اثاثوں اور ایکویٹی پر ریٹرن بالترتیب 1.5 فیصد اور 15.5 فیصد پر رپورٹ ہوئے جبکہ بک ویلیو فی حصص 117.74 روپے رہی۔

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

سال کے دوران بینک نے ایم سی بی بینک لمیٹڈ سے 90 کاروباری برانچیں اپنے مکمل ملکیتی ذیلی ادارے ایم سی بی اسلامک بینک لمیٹڈ کو کامیابی سے منتقل کیں۔

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

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

کرڈٹ ریٹنگ:

بینک، پاکستان کرڈٹ ریٹنگ ایجنسی (PACRA) کے نوٹیفکیشن مورخہ 27 جون 2018 کے مطابق طویل مدتی کرڈٹ ریٹنگ کی ٹریبل اے (AAA) اور قلیل مدتی کرڈٹ ریٹنگ کی (A1+) اے ون پلس کی بلند ترین سطح سے مستفید ہے۔ علاوہ ازیں پاکرا (PACRA) نے ایم سی بی بینک لمیٹڈ کی ٹی ایف سی (TFC) ریٹنگ کو اپنے نوٹیفکیشن مورخہ 27 جون 2018 کی بنیاد پر ٹریبل اے (AAA) کی سطح پر برقرار رکھا ہے۔

انٹرنل کنٹرول سسٹم: بیٹ:

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

کوڈ آف کارپوریٹ گورننس اوپنیزا ایکٹ 2017 کے سیکشن 227 کے تحت بیانیہ:

بورڈ آف ڈائریکٹرز اس امر کو یقینی بنانے کے لئے پرعزم ہیں کہ سکیورٹی اینڈ انیجمنٹ کمیٹی آف پاکستان کی جانب سے معین کردہ کارپوریٹ گورننس کے تمام معیار اور شرائط اوپنیزا ایکٹ 2017 کے سیکشن 227 کے مطلوبات کی مکمل پاسداری ہو۔ بینک نے کارپوریٹ گورننس کے بہترین معیار کو اختیار کیا ہے اور ڈائریکٹرز بسمرت رپورٹ کرتے ہیں کہ: بینک کی مینجمنٹ کی طرف سے تیار کردہ فنانشل اسٹیٹمنٹس اسکی کارکردگی، صورتحال، نقدی کے بہاؤ (کیٹش فلووز) اور ایکویٹی میں تبدیلیوں کا واضح اظہار کرتی ہیں۔

بینک کے اکاؤنٹس کی درست کتابیں تیار کی گئی ہیں۔

فنانشل اسٹیٹمنٹس کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اطلاق کیا گیا ہے سوائے ان اکاؤنٹنگ پالیسیوں کی تبدیلی کے جن کو فنانشل اسٹیٹمنٹس کے نوٹ نمبر 5.1، 5.3، 5.4 اور 5.10 میں بیان کیا گیا ہے۔ اکاؤنٹنگ کے تخمینے موزوں اور متوازن اندازوں پر مبنی ہیں۔

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

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

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

سال 2018 کے دوران 2.1 بلین روپے کا منافع قانونی ریزرو میں منتقل کیا گیا ہے۔

اندرونی انتظام کا نظام مضبوط خدوخال پر استوار کیا گیا ہے اور نہایت مضبوط انداز میں نافذ اور جانچا جاتا ہے۔
چھ سال کا فنانشل مواد (ڈیٹا) اور اہم کارکردگی کے عوامل کو سالانہ رپورٹ کے سلیک ہولڈرز کے سیکشن میں پیش کیا گیا ہے۔
قانون میں مجوزہ شرائط کی تعمیل میں شیئر ہولڈنگ کی ترتیب کو سالانہ رپورٹ سے منسلک کیا گیا ہے۔
کوڈ آف کارپوریٹ گورننس کی تعمیل (کمپلائنس) کا بیان سالانہ رپورٹ میں شامل ہے۔
بورڈ کی تشکیل کو کوڈ آف کارپوریٹ گورننس کے تحت بیان کیا اور کارپوریٹ گورننس کے سیکشن میں بیان کیا گیا ہے۔
سال کے دوران کسی بھی وقت بینک کے ڈائریکٹرز رہنے والے اشخاص کے نام سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں الگ سے بیان کئے گئے ہیں۔

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

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

بورڈ آف ڈائریکٹرز کی جانب سے منظور شدہ نان ایگزیکٹو ڈائریکٹرز بشمول آزاد ڈائریکٹرز کے مشاہرے کی پالیسی کو اس سالانہ رپورٹ کے کارپوریٹ گورننس کے سیکشن میں واضح کیا گیا ہے۔

ڈائریکٹرز کی ترتیبی پروگرام کی تفصیل کوڈ آف کارپوریٹ گورننس کی مینٹن میں دی گئی ہے۔

انتظامی اور غیر انتظامی ڈائریکٹرز کو ادا کیے گئے مشاہرہ کی تفصیل غیر مجموعی فنانشل اسٹیٹمنٹس کے نوٹ نمبر 40 میں درج کی گئی ہیں۔

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

30 جون 2018 تک پروویڈینٹ فنڈ اور پینشن فنڈ کی سرمایہ کاری کی قدر بڑھنے کا ڈیٹا اکاؤنٹس بالترتیب 14,789.35 ملین روپے اور 8,883.49 ملین روپے رہی۔

بیلنس شیٹ کی تاریخ کے بعد ہونے والے واقعات:

حکومت نے یکم سال 2018 (اکاؤنٹنگ سال ختمہ 31 دسمبر 2017) کے لیے سال کے اختتام کے بعد 4 فیصد سوپر ٹیکس تجویز کیا ہے اگرچہ ایسی اسکی منظوری نہیں ہوئی۔ 31 دسمبر 2018 کو اختتام پزیر سال کی فنانشل اسٹیٹمنٹس میں یکم سال 2018 کے سوپر ٹیکس کے اثر کو شامل نہیں کیا گیا ہے۔

کارپوریٹ معاشرتی ذمہ داریاں (CSR):

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

آڈیٹرز:

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

تسلیم و تحسین:

ایم سی بی بینک کے بورڈ آف ڈائریکٹرز حکومت پاکستان، اسٹیٹ بینک آف پاکستان، سکیورٹی اینڈ انیجمنٹ کمیٹی آف پاکستان اور دیگر انضامی اداروں کے جاری معاونت، بینک کے شیئر ہولڈرز اور صارفین کا انکے اعتماد اور اپنے ملازمین کا انکے خلوص اور عزم پر شکریہ ادا کرتا ہے۔

منجانب وبراے بورڈ آف ڈائریکٹرز:

اقراء حسن منشاء

عمران مجبول

ڈائریکٹر۔ ایم سی بی بینک لمیٹڈ

پریزیڈنٹ اور سی ای او۔

ایم سی بی بینک لمیٹڈ،

20 فروری 2019

Groups' Review

Corporate Finance and International Banking Group

The Group achieved an all-time high corporate loan book number in 2018. Despite tight (but improving) spreads, CFIBG had another profitable year due to strong fee and commission income.

To manage the portfolio on a proactive basis, the group continued to closely monitor concentration of sectors and regions. During the year, a number of strategy papers were issued which included group limit settings for large corporates, limit review exercise and Risk Asset Acceptance Criteria (RAAC). This allowed CFIBG to set macro level view on sectors, Cross sell of various consumer products such as auto / home / personal loan for employees of Corporate Customers, determine financial benchmarks for various industries, identify transactions in pipeline, manage obligor exposures in a systematic way, ensuring growth in advances in a structured manner and maintain a low infection rate in loan book.

CFIBG performed exceptionally well in foreign trade business during the year 2018. The group registered growth in Fee and FX income from its trade operations in Pakistan as well as from its overseas operations. Foreign export business of the Group registered 41% increase over last year and foreign import business also registered a double digit growth. The Trade team of MCB Overseas Operations at UAE, Sri Lanka and Bahrain to registered growth of 71% in trade volumes from 2017, main growth contributor being MCB UAE.

During the year under review, due to slowdown in economic activity and the then prevailing political landscape, various projects and transactions were put on hold. However, Investment Banking managed to remain active during the year and also successfully closed the first IPO of 2018 of Matco Foods Ltd. despite adverse capital market environment.

Investment Banking participated in various equity advisory, debt syndications and infrastructure finance transactions, and received the following recognitions:

- Best Islamic Loan Adviser in Pakistan - The Asset Triple A Islamic Finance Awards 2018;
- Project Finance House of the year of Pakistan - The Asset Triple A Infrastructure Awards 2018;
- Renewable Energy deal of the year - Solar, AJ Power Limited - The Asset Triple A Infrastructure Awards 2018;
- Oil and Gas Deal of the Year, Pak-Arab Oil Pipeline Company Limited - The Asset Triple A Infrastructure Awards 2018;
- Telecom Deal of the Year, Pakistan Mobile Communication Limited - The Asset Triple A Infrastructure Awards 2018

MCB Cash Management crossed annual volume of PKR 1.6 trillion in 2018 which is the highest ever in the history of the bank. A number of initiatives enabled the realization of this milestone including Book Building activity, successful disbursement of E-Dividends, integration with 1link with respect to FBR tax payment, implementation of bar code machines to facilitate TBD transactions at branches, enhanced features like FBR and RTGS in our payment platform i.e Paydirect. In addition to these initiatives, Transaction Banking Division did some major cross-sell initiatives in collaboration with Retail, Consumer Banking and Digital Banking.

MCB Home Remittance's brand, MCB Burqraftaar, is focused 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. 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.

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

During 2018, Strategic Acquisition and Investment Division played a key role in the successful demerger and transfer of 90 MCB bank branches into MCB Islamic Bank.

CFIBG team is geared up to continue with its growth strategy in 2019, with renewed focus on book building and service based fee enhancement. We will also continue to focus on cross sell initiatives with corporate clients for additional business opportunities.

International Branch Operations

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

Sri Lanka Operations:

MCB Bank Ltd commenced its Sri Lankan operations in 1994. Since then, the Bank has steadily grown over the years and currently holds the second largest branch network among foreign banks in the country. The Bank offers a range of financial products & services along with the expertise to serve all three segments of Corporate, SME and Retail banking. Customers also have the access through digital platforms and ATMs Island wide. Despite the challenging environment, MCB Sri Lanka recorded growth during 2018 and also re-affirmed its local rating [SL] A+ (Stable) awarded by ICRA Lanka Limited. Sri Lankan operations will commemorate its 25th Anniversary during 2019.

UAE Operations:

MCB commenced operations in UAE in 2015. During the year UAE saw a significant fall in real estate investment. Regional public spending cuts dampened business activity in the region, along with introduction of VAT. With slowing revenues, serviceability of debt by corporates was a major theme which saw a rise in corporate debt restructuring. Against this backdrop of uncertainty, MCB stood fast and firm in its commitment to expanding its outreach and in achieving its objectives while safeguarding the interest of our shareholders through prudent policy and by relying on the Bank's core strengths.

The year saw a marked improvement in the top and bottom line numbers for the operations over successive years. The slowdown in credit uptake was effectively mitigated through concentration on other sources of safe yet stable income.

During 2018, MCB UAE witnessed deposits growth surpassing targets, diversification of customer deposit portfolio, improvement in concentration ratios, trade volume enhancement

Groups' Review

and buildup of high quality unencumbered assets. MCB UAE is steadily building up its assets in line with Strategy and Budget with the help of joint asset pipelines and syndications with MCB Bahrain Operations.

Bahrain Operations:

MCB has been operating in the Kingdom of Bahrain since 1995. Bahrain operations continue to focus on regional syndicated transactions, bilateral deals and investments. MCB Bahrain during 2018 has maintained profitability despite a challenging GCC/Emerging markets business environment. There has been a concerted effort to reduce liquidity mismatch and improve deposit base which is evident from a significant increase in deposits from customers. Also syndicated deals with MCB UAE have been booked during the year leading to greater synergies for MCB in the region. Central Bank of Bahrain during year has introduced a number of new regulations/amendments in areas of Risk & Liquidity management for which the branch is in process of updating its policies and procedures for compliance in consultation with Head Office.

Assets Rehabilitation Group

The year 2018 has been an exceptionally challenging for the Country due to fragile economic conditions, political turmoil, general elections, subdued real estate sector & business activity, which, in turn, has grossly impaired repayment capacity of the businesses / borrowers. However, despite all these challenges, ARG, with its highly dedicated remedial team, made continued progress on its strategic path and put tremendous results on the board.

The Group has achieved ever highest recovery of Rs.2.85 Billion in 2018, registering 12% growth over the last year. Along the way, the Group has also been successful in resolution /restructuring /rescheduling of a large number of Non-Performing Loans (NPLs), aggregating to Rs.4.1 Billion and made significant progress in several other big ticket cases for recovery of banks' dues. Major contribution is from ex-NIB's portfolio as ARG's strategy is well composed to uplift bank's financial performance in post-merger scenario. Resultantly, Group has been able to realize a significant amount of recovery; i.e. Rs. 2.8 Billion, from ex-NIB's portfolio since amalgamation. Besides, the Group has extended its recovery base, in terms of number of settlements /cases, by 20% over the previous year (i.e. 6740 vs. 5624). It is pertinent to mention that the Group has also witnessed significant improvement in recovery from bank's written-off portfolio- 66% growth over the corresponding period (Rs. 218M vs. 131M). On the other hand, the focus on operating efficiency also continued during the period under review, with equal emphasis on internal controls and controlling costs, which resulted in saving 31% of delivery expense budget.

While fiscal imbalances in the year 2019 may take further toll on country's future growth viz. recital of the businesses, NPLs of the banking sector have already surged to Rs.652 Billion as of 30th September 2018 from Rs.638 Billion at the end first half 2018. Therefore, we believe that future holds even more challenges for the banking industry in the context of remedial management of distressed advances. Nevertheless, ARG will continue to focus on its milestones to take a full advantage of the long term growth opportunities, arising out of ex-NIB's merger and will bring all its capabilities together to mark 2019 another banner year and maintain its leadership position in the industry.

Consumer Banking Group

MCB's Consumer Banking business, which helps people achieve their financial aspirations, continues its consistent and steady growth. A number of product initiatives have been taken which will be beneficial for the growth of this segment and going forward more initiatives are in pipeline to strengthen this Group.

Wealth Management:

The Wealth Management business continued its upward trajectory in 2018, and was the significant contributor to the Consumer Banking Group's profitability. Bancassurance business set its highest sales record since inception with total fresh premium of PKR 2.44 Billion in 2018 as compared to PKR 2.046 Billion in 2017, a growth of almost 20%.

2018 was a difficult year for Investment Services business where it faced an adverse economic environment throughout the year, primarily due to muted capital market performance and low interest-rate regime. With interest rates improving in the last few months of the year, 2019 should see improved performance from fixed-rate instruments. However, the performance of the stock market in 2019 is still uncertain.

Consumer Lending:

Consumer Lending business posted a healthy profit for the year 2018. In 2018, SBP increased policy rate by over 4%, which posed a dampening effect on new sales due to resultant increase in KIBOR rates.

In autos business despite a stringent environment, the bank maintained fresh loans disbursement of PKR 8 Billion and was able to maintain its position as one of the top players in auto finance business and is now becoming a significant player in the home loan segment as well. While, the home loan disbursements topped PKR 1.5 Billion, which is substantially greater than 2017. Both credit card and PL businesses exhibited significant growth; with Credit Card business issuing over 15,000 new cards and Personal Loans with over 2,700 loans disbursed in the year. The overall asset quality continues to be well managed with low loss rates.

During 2018, a number of system up-gradations took place including ex-NIB data migration and a new Credit Cards system.

For the year 2019, the Consumer Banking Group will invest further in systems, controls and human resources to ensure the highest level of services are accorded to its customers with more automation and reduced turnaround times. We will continue to work to get deeper inroads into digital channel and setting up new alliances in order to meet growing customer expectations to maintain/ increase our market share.

Retail Banking Group

With passion, dedication and a well deliberated strategy, Retail Banking Group (RBG) celebrated 2018 as another year of historical growth, stellar financial results and accomplished objectives. The aspiration to deliver has enabled RBG to perform exceptionally well making significant contributions in the bank's progression in challenging macro-economic /political conditions while the overall banking industry as a whole demonstrated muted progress. Historically, RBG contributes over 92% of the bank's deposit. In 2018 RBG achieved YTD total deposit growth of 13% increase during the calendar year, well above the industry's YTD total deposit growth of 8%. Moreover, RBG's

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average deposit growth at 8% was significantly higher than industry's average deposit growth of approximately 1% for the year 2018. Above industry deposit growth highlights the continuous efforts and achievements of RBG team. Moreover, RBG also managed to increase its current deposit by 8% enabling it to achieve a CASA mix of 94%.

While interest income remained the key revenue driver, greater emphasis was laid on generation of fee income from all streams including branch operations, trade & cross sell to boost profitability. Growth in trade business continued as trade volumes increased by 5%.

Segment based product development has remained corner stone of our strategy initiatives in the last few years. This strategy has strengthened and built upon MCB's time-tested relationships with its loyal and trustworthy customers. In order to support the country in its efforts to maximize foreign remittances, home remittance products such as MCB Burqraftaar Remittance Account and MCB Asaan Remittance Account were successfully launched in the year 2018.

Along with our seasoned branch banking teams, a dedicated Institutional Sales team onboarded prominent large and medium sized companies and provided need based solutions perfectly suited to these institutions' financial needs.

The Bank played its role in the promotion and development of the SME and agricultural sectors and facilitated them to the maximum by adding SME Centers & dedicated agri branches. Our agri finances have grown at a CAGR of 33% since 2014.

RBG has a strong presence not only in the urban areas, but also in the rural and underserved areas of Pakistan. A perfect example of bank's financial inclusion drive would be the inauguration of our Sadoki Village Model Branch in 2018. The setup of the branch was envisaged to provide comfortable and familiar working environment to our rural customer base.

Another milestone achieved by RBG in 2018 was to enable MCB Bank to be ranked as the No. 1 Bank in Hajj applications collection, pan Pakistan. As a trusted companion, our vast branch network of over 1350 branches facilitated maximum number of intending Hajjis in their religious journey.

Our Operations team played an integral role in the execution of RBG initiatives, relationship strengthening and overall growth of the Group. Our approach towards reducing costs while maintaining operational excellence has reaped many benefits for the bank. In implementation of branch network optimization strategy, a number of low potential branches were merged, while under the network expansion plan 37 new branches were opened during the year. RBG endorses its ongoing fiduciary responsibility towards the regulator and the importance of internal controls. Our constant focus on improvement has borne fruit through improved audit ratings of our branches. Whether it is Dam Fund-raising campaign or biometric verification of our customers, RBG team has been more than up to the task. During 2018 MCB's principal focus remained on controls and compliance particularly in the area of AML/ CFT in line with the enhanced focus brought in by the regulator.

RBG's extensive Sales Process Manual, Service Management and Operational Excellence Programs ensure that its front line employees exhibit discipline, courtesy and professionalism to serve and provide solutions to all categories of Bank's customers. Furthermore, the ongoing induction of quality resources has helped the bank maintain its position as an

industry leader. Service levels as measured internally & externally are showing visible improvements over previous years. ATM uptimes at 97.4% is highest ever for MCB and places us as industry leader. Training our staff is at the heart of creating a team which can deliver service, sales and operational excellence. Our Dedicated Business Intelligence Unit (BIU) has lent valuable support in the performance monitoring of all units of RBG and in planning and execution of RBG business strategies.

RBG endeavors to work closely with all support functions of the bank to deliver key objectives of bank's 5-year strategy for the period 2018-22.

The challenge for RBG is to maintain and further build upon the momentum created in the past few years. We have witnessed multiple policy and business environment challenges in 2018 and expect this to continue in 2019 as well under a more stringent control environment. With passion, enthusiasm and discipline in our ongoing approach of "RETAILIZATION", Team RBG has the ability to grow, sustain and generate even stronger results in all KPIs & objectives in the days and years to come!

Capital Market

For a second consecutive year the KSE-100 remained in bear territory by shedding 3,405 points to close at 37,066. The market posted a negative return of 8.4% (26.5% in Dollar terms). Political and macroeconomic woes continued to throttle investor sentiment, consequently leading to weaker participation at the bourse. As Pakistan ushered in the new PTI government following 2018's General Elections, currency volatility took its toll as markets witnessed 5 successive rounds of devaluation. The central bank assumed a hawkish policy as the policy rate witnessed a cumulative increase of 425 bps to combat rising economics pressures. All these factors combined against a backdrop of the highest foreign investment portfolio outflows seen since 2008 presented the most challenging year yet for MCB's Capital Markets Division. Despite booking heavy provisions our team was able to capture alpha and post positive returns for the bank. We hope that 2019 will fare better for the market as we continue to serve the bank by maximizing returns through top-notch research and expert portfolio management.

Treasury and FX Group

2018 was a year marked by significant economic and political challenges for the country. Treasury & FX Group efficiently navigated this turbulence and marked another year of significant outperformance. The Group once again remained a major contributor to the Bank's markup and non-markup revenues.

The low interest rate environment made way to a significant uptrend in the interest rates. Treasury had anticipated this reversal and continued to shorten the Duration of its investment portfolio. Treasury remains well placed to now benefit from the higher yields on the Pakistan Investment Bonds. 2018 also witnessed unprecedented levels of USDPKR volatility. Once again, Treasury expertly managed its exposures and also ensured that its clients remained well informed of the changing market conditions. Importantly, MCB continued to enhance its trade & non-resident remittance volumes. For these reasons, 2018 was a stellar year with respect to the FX Income of the Bank. The interbank desks (both Money-Market and FX), despite the market volatility, maintained their status as top market-makers and ensured that MCB remained the choice bank for its clients and its interbank-market counterparts.

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As an authorized Derivative Dealer, MCB has continued to tread the path of Derivatives business with caution and prudence. Our expertise in this highly technical area continues to grow, giving us the edge needed to be at par with the developed world in terms of derivatives based hedging solutions offered to our suitable clients.

The bank's international Treasuries have been consolidated under the umbrella of Group Treasury for better monitoring, supervision, uniformity and sharing of best practices. This is expected to yield positive results both in terms of financial performance and risk management.

During 2018, the MCB Treasury Research Desk published the Economic Snapshot daily and the MCB Purchasing Managers Index (PMI) on a bi-monthly basis - for the benefit of our valued customers. Emphasizing the Bank's customer-focused approach, the Research Desk frequently engaged with the bank's clientele to discuss opinions and convey timely information on the domestic economy. In particular, the Research Desk provided forecasts on interest rates, exchange rates, domestic inflation, external sector pressures and other economic variables that were especially helpful for our clients in anticipating changes in a dynamic environment and enabled them to create value for their own businesses. Our customers greatly appreciated our initiatives and actively sought solutions to increase their understanding of the economy and apply it in their decision-making on a day-to-day basis.

The Research Desk was on hand to provide the economic outlook and projections that were a formidable part of the Bank's Five Year Strategy 2018-2022.

Information Technology Group

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

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

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

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

Looking forward to 2019, IT Group is more committed towards:

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

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

Digital Banking

Surpassing the traditional norms of growth, MCB Bank's Digital Banking Business has grown to become one of the most comprehensive, secure and flexible payment ecosystems. Within a short span of time it has gained a leading position and is favored by both individual and corporate consumers. The Year 2018 concluded with a remarkable top line of PKR 3.1 Billion with substantial financial growth and increase in the overall foot print. This was only possible due to our focused strategy to expand our service offering and delivery to the end user while being preemptive about the prevailing industry risks.

The Debit Card business which constitutes a significant portion of the entire Digital Banking portfolio was able to achieve a number of milestones which includes the highest number of card issuance i.e. 783K including 175K of Paypak (Pakistan's first local payment scheme) debit cards, record Debit POS spend of 10.9 Billion, a 13% YOY Increase in card activation rate from the previous year and numerous marketing campaigns done across various retail industries.

Our self-service channels which includes both the Mobile and Internet Banking performed exceptionally well with more than 500K+ App downloads till date, overall 53% YOY growth in transactional volume, enhanced transactional limits for the users

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and improved customer experience with the addition of 11 new billers within the payment menu.

The ATM Network also witnessed steady progression in terms of reach, reliability and transactional volume. With the amalgamation of ex-NIB and new ATMs, our network now stands at 1300+ ATMs including 140+ Offsite locations. MCB Bank is now the second largest bank in terms of ATM network reach, with the highest yearly uptime of 97.44% along with 18% YOY growth in transactional volume and count. This performance is a testament of the robust health-check measures taken by the bank where we replaced more than 40 ATMs and deployed 44 new ATMs in a year. The ATM channel was further empowered; along with the acceptance of other payment scheme cards "Paypak, JCB and UPI", it now accepts Visa International cards and allows customers to activate their debit card without calling help line.

Another essential channel completing the Digital Banking equation is the Acceptance business which includes the online payment gateway solution (eGate) and the Point of Sale (POS) terminals ensuring MCB Bank's presence in the digital and physical payment franchises. Like the previous year, Card Acquiring continued to enter new hallways of payments with a remarkable growth of 59% in eCommerce transactional volumes. Further, to improve online shopping & merchant experience for eCommerce, MCB eGate 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.

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

The Branchless Banking arena (MCB Lite) also showed considerable strides by integrating Lite Remit feature in mobile wallet that has allowed customers to receive money directly into their Lite mobile wallet from anywhere in the world. The institutional sales opening more than 40K Mobile Wallets.

In parallel we continued to take necessary measures to strengthen our system securities, educate customers on cybercrimes and its preventions through various means like the newspaper, SMS, email, etc. apart from taking measures to implement enhanced controls over digital channels. The Annual Management Audit of achieved rating "1" assuring good governance.

Priorities in 2019

- Implementation of New ATM Controller and Card Hosting System
- Launch of EMV Chip & PIN Debit cards
- One Digital Platform for Retail and Corporate Digital Banking
- Focus on Home remittances in Mobile Wallets
- Launch of Co-badge debit cards
- Revamping of Karachi Contact Center

Operations Group

The Operations Group continued working progressively to be at the forefront of Bank's transformation objective by standardizing,

improving and automating existing operational processes; and consequently strengthening controls & compliance environment. The Group played an active role in supporting branch & back-office operations through introduction of effective controls as envisaged by the Bank's management in line with the stricter regulatory environment. Additionally, the Group firmly believes that improvement in operational processes will energize business growth initiatives. This would emanate from leveraging technological solutions across the Bank with an objective of improving process and costs efficiencies.

Highlight of the year was the revision of Branch Operations Manual that culminated from consolidation and review of Operational Processes with the objective of efficient customer service experiences whilst further improving control environment. The service charges and tax collection mechanism was revamped in order to reduce leakages while offering greater flexibility in configuring the complex taxation regime. The Group also embarked upon redesigning Bank's standard stationary to cater to the updated requirements of the regulator along with bringing simplicity for the customers. Some of the new forms have been structured in a way to offer enhanced cross sell opportunity for enabling greater product offerings per customer.

The Group also played a pivotal role in further streamlining ex-NIB integration related activities and subsequent transfer of select Ex-NIB branches to MCB Islamic Bank. Its support proved instrumental in successfully achieving Bank's target of smooth and effective integration with minimal customer inconvenience. While the Group continued its oversight on implementation of Business Continuity and Record Management policies, it proudly framed the first ever Green Banking Policy jointly with the Risk Management Group of the Bank. This new regulatory initiative will go a long way in safeguarding humanity from environmental risks emerging from Bank's own operations as well as operations of its borrowers.

Automation and digitization remain the key objectives of the Group. Consequently functional support was provided to other groups in developing new product offerings and strengthening existing portfolio. The Group successfully implemented Currency Management Strategy under the applicable regulatory framework and collaborated with Information Technology Group for enhancing treasury systems' capabilities to support new products. The team further achieved enhancement of derivative settlement capabilities through integration of Super-Derivatives solution with Treasury system and now endeavoring to develop full derivative suite. Additionally further automation in processing of Real Time Gross Settlement (RTGS) Straight - Through - Processing & Investor - Portfolio - Securities transactions was achieved to support error-free processing of bulk customer payments thereby bringing efficiency in customer service.

The Group also contributed towards business growth through effective and efficient support extended beyond line of duty. Issuance of about one million cards, web based customer claim filing utility and conversion of merchant payments mode from cheques to funds transfer/IBFT are just a few to mention. Branches falling under Operations, responsible for dealing with specific line of customers, outperformed their own standards demonstrated through excellent service quality results.

Operations Group has also provided sizeable infrastructural support to the Bank while ensuring high quality delivery of major construction and renovation projects. The Group led projects not only contributed towards addition of more flagship branches, it also resulted in shifting of high number of branches from rental to owned premises thereby reducing heavy rental costs.

Groups' Review

As the dawn of 2019 will bring more exciting opportunities and prospects for the Bank, the Group is committed to meet every challenge with greater energy and enthusiasm in helping to achieve the business targets. The Group resolves to improve process centralization, to further automate manual products and processes, and to ensure alignment of its objectives with other stakeholders within the Bank over implementation of new technology, business and compliance initiatives.

Business Continuity Plan

Business Continuity Management (BCM) is a progressive management process that identifies, assess and gauge potential impacts which can threaten an organization, internally or externally. Accordingly, it provides a framework for building capability for an effective response to disruptive events caused by natural or man-made event(s), ensuring continuity of critical functions in an event of disaster and effective recovery afterwards. BCM helps to keep all possible risks within tolerable range thus by following BCM practices, organization keep themselves ahead of time. While discharging its social/corporate responsibility, MCB Bank has always endeavor to ensure protection of key stakeholders' interest. The Bank has a special focus in having sustainable and an effective enterprise wide BCM program to enable the Bank to provide seamless services and products to its customers and stakeholders.

The Board of Directors of the Bank periodically reviews the effectiveness of Business Continuity Policy & Framework to ensure that clear and concise plans are maintained for all critical areas while strong remedial actions are in place to reduce the risk of downtime against any untoward situation. Practicing BCP on regular intervals have given a confidence to the bank that it can live up-to the expectation of its stakeholders by ensuring functionality of its critical businesses and functions.

Compliance and Controls Group

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

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

Highlights of 2018 include successful launching of a new filtering solution, Induction of fresh scenarios in the transaction monitoring system, adoption of goAML Application for regulatory

reporting of cash transactions and wider coverage of compliance assurance & Internal control validation visits by CCG Teams.

In order to remain abreast with the regulatory environment CCG has pursued implementation of various dimensions of the Compliance Risk Management (CRM) Guidelines issued by the regulator. In this context we now have in place a Compliance Risk Framework developed and duly approved by the Board of Directors. Moreover CCG is aspiring to develop a universal document related to compliance risk which will provide a global unified solution to all jurisdictions of MCB operations.

CCG ensures a professionally cordial working relationship with State Bank of Pakistan (SBP), Law Enforcement Agencies and other regulatory bodies which also cover coordination of SBP's Inspections. It also spearheads the resolution of regulatory observations through a cross functional management committee.

The Fraud Risk Management Department, consolidated within Compliance Group during 2018, was made fully functional to enhance organizational focus on Fraud Risk. As its fresh initiative this outfit has introduced an application called 'Internal Eye' which aims at review and monitoring of transactions associated with employee accounts from the perspective of identification and control of potential frauds.

Our Service Quality (SQ) function continues its enhanced focus and rigor around customer experience through Service Council and improved internal stakeholder engagement. During 2018, a new dimension of training 'Service for Life' was delivered to senior customer dealing staff in order to equip them with appropriate knowledge of service etiquettes and protocols in order to deliver high quality customer experience.

Bank follows a multi-pronged approach to assess the quality of service standards for its customers. These measures include physical evaluations of business place ambiance & Voice of customer by Bank's SQ team and capturing of customers feedback through customer satisfaction surveys & mystery shopping program through external vendors. Findings of these initiatives are subsequently transformed into action items which SQ team leads until positive outcomes are achieved. Significantly, during 2018, SQ led successful closure of Gaps identified through the customers satisfaction survey, conducted during 2017 to ensure improved customer experience.

Fair treatment of customers continued to remain a priority agenda item of bank's Service Quality team throughout 2018.

Given the above achievements and initiatives during the year, it is evident that CCG has persistently aimed for a strong compliance culture while staying abreast of ongoing regulatory requirements and industry challenges. The Group's focus, going forward, will remain strengthening of its resource base, improvement in processes and investment in appropriate technology and human resource so as to adequately cope with an ever changing and challenging environment while improving customer experience.

Customer Grievance Handling

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

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escalation matrix observed and designed in the system is such that a complaint, if not resolved within the specified TAT, gets escalated to the next senior level of management and keeps on escalating further till resolved. It also performs in-depth qualitative and quantitative complaints analysis followed by suggestions and recommendations in order to eliminate root cause and drive continuous improvement. During 2018 we have successfully converted to a new Complaint Management System with the objective of making the complaint management process more robust and effective.

Channels through which complaints are received:

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

Audit and Risk Assets and Review Group

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

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

Audit & RAR Group continued to perform its role effectively on both the assurance and consultative fronts during 2018. It played its role in evaluating the efficacy of Bank's control systems by enhancing visibility of the management and the Board on the risk management and control related matters of the Bank (for Bank's domestic and overseas operations). The Group also highlighted areas for improvement and worked closely with the management through regular engagement as well as consistent follow-up, monitoring and guidance towards resolution of significant issues. Staff training and development remained a focus area for the Group which helped in enabling the internal audit team in performance of its duties objectively as well as with professional due care.

With the zeal and commitment to play an effective role in the Bank's endeavor for continuous improvement, Audit & RAR Group will persevere for further strengthening of its resources and Framework in 2019.

Legal Affairs Group

The mission of the Legal Affairs Group is to further the strategic goals and to protect and preserve the legal, ethical and financial integrity and the reputation of MCB Bank. This is accomplished by providing strategic legal advice on contentious and

non-contentious matters, thereby ensuring that businesses conduct their activities in accordance with applicable laws and bye laws consistent with the mission, vision, and values of the MCB Bank. Legal compliance is the process or procedure to ensure that an organization follows relevant laws, regulations and business rules.

Legal Affairs Group consists of two departments.

- Legal Affairs Department - Advisory
- Litigation Department

Legal Affairs Department - Advisory

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

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

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

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

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

During 2018, around 25,500 Opinions/Vettings were issued on collateral, security documents and allied legal issues raised by Business/Field, therefore advisory department has contributed in cost saving worth Millions of Rupees.

Litigation Department

The Litigation Department in coordination with businesses, oversees and handles bank wide litigation of different groups working within Bank and other litigation related proceedings pertaining to its customer or employees; Enlists Lawyers on

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

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

Following initiatives were taken by the Litigation Department during 2018:

- Retrieval/Compilation of Pan Pakistan Litigation Data/Record & Digitizing/Scanning the same.
- Validation of Pan Pakistan Litigation Data through assigned lawyers/law firms.
- Since Centralization of litigation expenses in June 2014, complete record with respect to litigation expenses is being maintained & shared with respective businesses on periodical basis.
- Development of Shadow Filing System which is in data entry phase. Once the same will be fully functional, it would enable litigation department to provide real time updates of court cases.
- As many as four meetings of Litigation Review Committee (LRC) were held in the year 2018 and during the said meetings, 26 lawyers were enlisted on Bank's Approved panel.
- The performance of 247 lawyers was evaluated and discussed during LRC meetings on the basis of feedback received from the relevant businesses.
- In such meetings, Special attention was given to the cases involving Rs.10 million and above, including execution petitions pending for 3 years and more & way forward was also discussed for expeditious disposal of these execution petitions.
- As many as 726 (including recovery suits) were filed during 2018 and around 910 cases were disposed of/decreed through appointed lawyers and thereby contributed in Bank's NPLs recovery efforts.
- During 2018, the group remained cost efficient as professional fee with the assigned lawyers was negotiated well within the approved grid/limits.

To strengthen itself, MCB Legal Affairs Group has shown significant growth in 2018 and is committed to perform up the curve in future to help the Bank to achieve better results.

Human Resource

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

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

HRM has successfully revamped its HR policies for local and overseas operations to emerge as an employer of choice in the Banking industry. The development and implementation of effective local and overseas HR policies enables the Bank to disseminate its guidelines in an appropriate and consistent manner for the convenience of employees.

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

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

Security

The Security Division was successful in implementing its 2018 objectives notwithstanding the prevailing security challenges. Persistent efforts were made by ensuring comprehensive security arrangements/measures, monitoring and supervision of branches with the objective to facilitate business and ensure smooth operations unimpeded by any security concerns.

The year 2018 turned out to be an excellent year for the Bank where several attempts were foiled by the courageous response of deployed Guards.

To enhance the prevailing security measures with the objective to prevent the branches/premises from unpredictable security challenges, the Security Division employed the use of modern electronic technology and succeeded in equipping numerous branches with Burglary Alarm System (BAS) and installed parallel/mirroring recording system as well. The Security Division successfully consolidated the functioning and reporting systems of BAS installed in over 1,300 branches of the Bank with no incident of security breach during night and holidays.

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Additionally, Walkthrough Gates were also installed in sensitive MCB Branches. In cooperation with MCB Human Resource Management Group, respective Regional Security Officers conducted effective security awareness training sessions for branch staff and security guards in the handling/operation of Walkthrough Gates.

During 2018, Security Division successfully managed the transition of MCB 90 (ex-NIB) branches with and into MCB Islamic Bank Limited as part of the M-90 demerger exercise.

Going forward, Security Division is equipped for ensuring the safety of Bank's customers, assets and staff while utilizing all available human resource/ electronic means to the best of their professional expertise

Marketing

The Marketing Division is geared toward enhancing the positive image of the Bank through its Corporate Brand Building, promotion of Bank's Product & Services on visible optimized mediums, Standardization of Corporate & Brand Communications, Branch Merchandizing, CSR and strong Public Relations.

During 2018, Marketing Division was involved in an extensive media and Out of Home (OOH) branding campaigns that played a pivotal role in increasing the brand presence and awareness resulting in steering leads and business. Another achievement in the year was the revamping of the corporate brand guidelines of the Bank to reinforce consistency amongst all its visual platforms. The Division has also played a key role on the communications front during the demerger of 90 branches of the Bank which were previously acquired under the amalgamation of former NIB Bank with and into MCB Bank. On the occasion of the Bank's 71st Anniversary, Marketing Division played a key role in celebrating the milestone throughout the year as well.

Going forward, Marketing Division is determined to implement internal and external branch branding standardization across the Bank's network, upgrade its corporate digital platform and enhance marketing visibility of the Bank keeping in line with the Bank's strategic focus.

MCB Islamic Bank Ltd.

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

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

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

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

The Bank is using world's renowned Oracle Flexcube as its Core Banking Software. Different services and products offered by the bank are available to customers through a branch network of 176 branches backed by 179 On-Site and Off-Site network of ATMs. The Bank offers EMV enabled Debit Cards, iOS and Android based native Mobile and Internet Banking services. Moreover, the Bank is also 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.

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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 Governance

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

Board Composition

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

Category	Name
*Independent Directors	<ol style="list-style-type: none"> Mr. Yahya Saleem Mr. Salman Khalid Butt
Non-Executive Directors	<ol style="list-style-type: none"> Mian Mohammad Mansha Mr. S. M. Muneer Mr. Muhammad Tariq Rafi Mian Umer Mansha Mrs. Iqraa Hassan Mansha Mr. Muhammad Ali Zeb Mr. Mohd Suhail Amar Suresh Bin Abdullah Mr. Nor Hizam Bin Hashim
Executive Director (President & CEO)	<ol style="list-style-type: none"> Mr. Imran Maqbool

***Independent Directors and their Independence:**

The Board has two (02) Independent Directors who met the criteria of independence under the Companies Act, 2017 and the directive issued by the State Bank of Pakistan (“SBP”). However, SBP and the Securities & Exchange Commission of Pakistan (“SECP”) have granted relaxation to MCB Bank Limited from the requirement of minimum number of four (04) Independent Directors as required under BPRD Circular No. 15 of 2016 dated December 28, 2016 and the Regulation 6(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2017, respectively, till March 31, 2019.

Representation of Female Directors on Board:

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

Non-Executive Directors:

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

Election of the Board of Directors:

The election of the Board of Directors of the Bank was held on March 27, 2018 and the Shareholders elected twelve (12) Directors for the next three years.

Casual Vacancies on to Board of Directors:

During the year 2018, the Board of Directors appointed Mr. Salman Khalid Butt as Independent Director in place of Mr. Ahmad Alman Aslam on November 10, 2018. The Board appreciated the services extended by him as a Board Member, Chairman-Audit Committee and also Member of various other Board Committees of the Bank during his tenure.

Appointment of CEO/President:

The Board approved the re-appointment of Mr. Imran Maqbool as President & CEO of the Bank on the existing terms and conditions for the period of next three years commencing from December 21, 2018.

Executive director serving as non-executive diectors in other companies:

The Executive director is serving in 6 companies as non-executive director.

Detail of Board Meetings held outside Pakistan:

During the year 2018, all the Board of Directors meetings were held in Pakistan.

Corporate Governance

Number of Board and it's committees meetings held and attendance by each Director

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

◆ Member

Notes to Attendance of Directors		
Sr. No.	Name of Director	Notes
1	Meetings of a particular forum attended by the concerned director during his period.	
2	Mian Umer Mansha	Member of the Board's Audit Committee and IT Committee since July 16, 2018.
3	Mr. Muhammad Ali Zeb	Member of the Board's Human Resource & Remuneration Committee, Compliance Review & Monitoring Committee and Write Off & Waiver Committee since July 16, 2018.
4	Mr. Ahmad Alman Aslam	Resigned from the Board of Directors w.e.f November 06, 2018.
5	Mr. Mohd Suhail Amar Suresh Bin Abdullah	Member of the Board's IT Committee since July 16, 2018;
6	Mr. Yahya Saleem	Elected in Annual General Meeting (AGM) of the Bank held on March 27, 2018. SBP cleared his FPT on July 13, 2018. Member of the Board's Audit Committee, Human Resource & Remuneration Committee and Information Technology Committee since July 16, 2018.
7	Mr. Shahzad Saleem	Did not contest the election of the directors, held in March 2018.
8	Mr. Irfan Ahmed Hashmi	Did not contest the election of the directors, held in March 2018.
9	Mr. Salman Khalid Butt	Joined the Board w.e.f November 10, 2018. Member of the Board's Business Strategy & Development Committee, Risk Management & Portfolio Review Committee, Information Technology Committee and Compliance Review & Monitoring Committee since November 10, 2018.
10	Mr. S. M. Muneer	SBP has been requested to condone the requirement of Para 8 of Section B of Prudential Regulations G-1, vide our letter No. SBP-(BPRD)/SMM/2019/01, dated January 03, 2019.
11	Mr. Imran Maqbool (President & CEO)	Remained member of the Board's Human Resource & Remuneration Committee till July 31, 2018.

Corporate Governance

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

- Mian Mohammad Mansha.
- Mr. S. M. Muneer.
- Mr. Muhammad Tariq Rafi.
- Mian Umer Mansha.
- Mrs. Iqraa Hassan Mansha.
- Mr. Muhammad Ali Zeb.
- Mr. Mohd Suhail Amar Suresh Bin Abdullah.
- Mr. Nor Hizam bin Hashim.
- Mr. Yahya Saleem.
- Mr. Salman Khalid Butt.
- Mr. Shahzad Saleem.
- Mr. Irfan Ahmed Hashmi.
- Mr. Samir Iqbal Saigol.
- Mr. Ahmad Alman Aslam.

Board Committees

The Board has eight (08) Sub-Committees as given below:

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

Audit Committee

Meetings held: 5

Composition:

1. Mr. Yahya Saleem - (Chairman, Independent Director)
2. Mian Umer Mansha - (Non-Executive Director)
3. Mr. Muhammad Ali Zeb - (Non-Executive Director)
4. Mr. Nor Hizam bin Hashim - (Non-Executive Director)

Terms of Reference

The main Terms of Reference of the Committee are:

1. Determination of appropriate measures to safeguard the bank's assets;
2. Reviewing annual and interim financial statements of the Bank, prior to their approval by the Board of Directors, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Any changes in accounting policies and practices;
 - Compliance with applicable accounting standards;
 - Compliance with listing regulations, other statutory and regulatory requirements; and
 - All related party transactions.

3. Reviewing preliminary announcements of results prior to external communication and publication;
4. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
5. Reviewing Management Letter issued by External Auditors and management's response thereto;
6. Ensuring coordination between the internal and external auditors of the Bank;
7. Making recommendations to the Board of Directors, the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the Bank by the external auditors in addition to audit of its financial statements;
8. Reviewing scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Bank;
9. Reviewing Performance Appraisal of Group Head - Audit & RAR, jointly with the President & Chief Executive Officer;
10. Audit Committee may recommend to the BOD for its consideration for removal of Group Head – Audit & RAR;
11. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
12. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
13. Reviewing the Bank's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
14. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer ("CEO") and to consider remittance of any matter to the external auditors or to any other external body;
15. Determination of compliance with relevant statutory requirements;
16. Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
17. Monitoring compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 and identification of significant violations thereof;
18. Consideration of any other issue or matter as may be assigned by the Board of Directors.

Corporate Governance

Business Strategy & Development Committee

Meetings held: 4

Composition:

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

Terms of Reference

The main terms of reference of the Committee shall be to:

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

Human Resource & Remuneration Committee

Meetings held: 4

Composition:

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

Terms of Reference

The main tasks of the Committee shall be to ensure that:

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

2. The latest entry-level procedures are put in place for recruitment of entrants;
3. The existing training facilities for the new entrants as well as for up-gradation of skill level of all employees are reviewed and revised, if required;
4. Proper classification & reclassification of employees' pay scales, job description and methods of their periodical review are put in place;
5. The Bank-wide remuneration policy takes into account all cadres of employees along with the pay-gap between the highest paid and the lowest paid employees, across various levels as well as across the Bank. The pay-gap shall be based on the total compensation awarded to the employees and should be maintained at reasonable levels without allowing concentration of the benefits of Bank's performance only to top level or certain class or group of employees. The pay structure for all employees should be fair, competitive and encourage performance and motivation;
6. That the remuneration policy of the Bank provides for reasonable levels of compensation for contractual employees of Bank and commensurate with their assignments;
7. That a separate structure of remuneration for Material Risk Controllers ("MRCs") and Material Risk Takers ("MRTs") is developed as per remuneration policy. The MRTs should be identified as functions and designations rather than as individuals. The MRTs should have appropriate level of authority and control;
8. An objective criterion for work appraisal/performance is developed and linked with the annual merit increase.
9. A review is undertaken of the organizational structure to bring it in line with business strategy & development plan and approve an organizational set up or any revision in the existing set up taking into account the recommendations of the President & CEO;
10. An in-house human resource expertise is developed to undertake market analysis of above policies with a view to developing MCB policies;
11. If so required, the Committee can seek independent external advice/expert opinion for accomplishment of devising an effective and prudent remuneration framework;
12. Effective management information system is developed to monitor the implementation of policies as approved by the Board;
13. Recommendation to the Board for consideration and approval of a policy framework for determining remuneration of directors (both executive and non-executive directors) and members of senior management. The definition of senior management will be determined by the board which shall normally include the first layer of management below the Chief Executive Officer;
14. Selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO, COO, CFO, Company Secretary and Head of Internal Audit and

Corporate Governance

recommendation to the Board;

15. The structure of compensation package of Executive Directors, CEO, Key Executives and any other employee or group of employees Bank-wide is recommended to the Board for its own approval or approval of the shareholders, according to legal and regulatory requirements;
16. The consideration and approval on recommendations of CEO on such matters for key management positions who report directly to CEO; and
17. In devising the Remuneration setting policy and mechanism, the Committee can also seek internal inputs from any other Committee of the Board or directly from any department or official of the Bank.

Risk Management & Portfolio Review Committee

Meetings held: 4

Composition:

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

Terms of Reference

The main tasks of the Committee are to:

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

Committee on Physical Planning & Contingency Arrangements

Meetings held: 4

Composition:

1. Mian Umer Mansha - (Chairman, Non-Executive Director)
2. Mr. S. M. Muneer - (Non-Executive Director)
3. Mrs. Iqraa Hassan Mansha - (Non-Executive Director)
4. President & CEO - (Executive Director)

Terms of Reference

The main terms of reference of the Committee will be:

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

Information Technology Committee

Meetings held: 4

Composition:

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

Terms of Reference

The main terms of reference of the Committee are:

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

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Compliance Review & Monitoring Committee

Meetings held: 2

Composition:

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

Terms of Reference:

The terms of reference of the Committee are:

1. To review six monthly reports prepared by the Compliance & Controls Group and routed through the President on overall compliance risk management in the Bank (local as well as overseas operations) including the actions taken on the recommendations and observations of SBP in its Annual/Thematic Inspection Report and compliance status of AML / CFT policy;
2. To guide the management in the matters pertaining to compliance risk management in the Bank, compliance of SBP's observations, AML/ CFT regulations and review the progress in implementation of remedial actions taken with respect to noncompliance;
3. To carry on liaison between the Board and the management on overall management of compliance risks with a view to ensuring compliance pertaining to compliance issues raised through CCM, SBP's observations and AML/ CFT issues;
4. To make recommendations to the Board, if necessary, for taking decisions on expedient and appropriate disposal of compliance issues raised through CCM, SBP's observations and AML / CFT identified issues;
5. To oversee the effectiveness of Service Quality functions of the Bank to review the performance of the Service Council;
6. To review/recommend Compliance Risk Strategy/Policy, Compliance Program & allied policies and oversee its implementation across the Bank in letter and spirit;
7. To recommend appointment, any disciplinary action or termination of CCO on the advice of the President and ensure that position of CCO does not remain vacant for more than 60 days;
8. To ensure that CCO has proper stature, authority, resources, support, independence and capacity to offer his objective opinions to senior management and Board on compliance risks;
9. To engage with CCO on half yearly basis, to discuss issues faced by the Compliance Function ("CCG") in the implementation of board approved compliance program;
10. To review the minutes of Compliance Committee of Management (CCM) meetings to ascertain its effectiveness in managing compliance risk;
11. Any other issue that is deemed necessary and required by the regulations.

Write-Off & Waiver Committee

Meetings held: None

Composition:

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

Terms of Reference:

The terms of reference of the Committee are:

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

Management Committees

Management Committee

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

Assets & Liabilities Committee

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

Investment Committee

1. Mr. Imran Maqbool - Chairman
2. Mr. Omair Safdar
3. Mr. Salman Y. Zaidi
4. Mr. Hammad Khalid
5. Mr. Muhtashim Ashai
6. Mr. Muhammad Nauman Chughtai

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Management Credit & Risk Committee

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

Disciplinary Action Committee

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

Purchase & Expense Committee

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

Write Off Committee

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

Issue Tracking & Monitoring Committee

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

Information Technology Steering Committee

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

Litigation Review Committee

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

Management Sub-committee For Resolution Of Long Outstanding Audit Issues

1. Mr. Kamran Zaffar Muggo
2. Mr. Hammad Khalid
3. Mr. Azfar Alam Nomani
4. Mr. Zargham Khan Durrani
5. Mr. Faisal Ejaz Khan

Management Sub-committee On AML/CFT

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

Overseas Monitoring Committee

1. Mr. Hammad Khalid - Chairman
2. Mr. Muhtashim Ashai
3. Mr. Farid Ahmad
4. Mr. Azfar Alam Nomani
5. Mr. Muhammad Nauman Chughtai
6. Mr. Kamran Zaffar Muggo

Compliance Committee Of Management

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

Corporate Governance

Directors' Remuneration:

The Board of Directors has determined, with the approval of the Shareholders, the scale of remuneration to be paid to the Non-Executive including Independent Directors and the Chairman for attending Board and its Committee(s) meetings. The Board has formed a comprehensive Directors' Remuneration Policy setting out the requirements and methodology for the determination of the remuneration to be paid, from time to time, to the Non-Executive including Independent Directors, the Executive Directors and the Chairman of the Bank. It ensures that the Board Members are fairly rewarded with regard to the responsibilities undertaken, and to consider comparable pay levels and structures in the banking industry, and also to attract and retain high-caliber, experienced Directors by offering appropriate fee levels. MCB Board comprises Resident and Non-Resident Directors who have diversified experience, suitable knowledge, appropriate skills / expertise and competency considered relevant in the context of the Bank's operations and to make the Board an effective decision making body. The Bank being financial services provider always adheres practicing good governance enabling to enhance its efficiency and footprints in financial sector ensures to set a suitable remuneration for the Board Members.

Payment of Directors' Remuneration:

The detail of remuneration paid to executive and non-executive directors during the year 2018 has been disclosed in Note 40 of the unconsolidated financial statements of the Bank.

Remuneration from nomination on the Board of Other Companies:

The Directors have approved the Nomination Policy whereby Bank's Executives are nominated on the Board of other Companies on behalf of the Bank. Nominee Directors who are employees of the Bank shall, however, have to surrender compensation such as meeting attendance fee to the Bank.

Directors' Orientation:

The Board Members are regularly provided with update on new applicable laws, rules and regulations including amendments thereto to apprise them with their powers, duties and responsibilities. At the time of induction of any new director, he/she is given orientation about the operations of the Bank by the Management to acquaint them with Bank's operations in order to enable them to effectively govern the affairs of the Bank on behalf of shareholders. The directors are also provided with the detailed written material in the shape of extracts from relevant laws, rules & regulations on powers, duties & responsibilities of the Board of Directors.

Directors' Training Program:

The majority of the Board Members either has minimum education and experience as required under Regulation 20 (2) for exemption from Directors Training Program, or has already completed Directors Training Program pursuant to the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017. During the year, the Board has arranged Directors' Training program for Mrs. Iqraa Hassan Mansha.

Till December 31, 2018, the following directors have attended Directors Training Program from SECP approved institutions:

1. Mr. S. M. Muneer
2. Mr. Muhammad Ali Zeb
3. Mrs. Iqraa Hassan Mansha

In addition, the following directors have foreign certification:

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

The following directors hold exemption certificate issued by the Securities & Exchange Commission of Pakistan:

1. Mr. Muhammad Tariq Rafi
2. Mian Umer Mansha

Board's Function and Decision Making:

MCB Board plays an effective role and provides entrepreneurial leadership and direction to the Management of the Bank within a framework of prudent and effective controls. It promotes collective vision of the Bank purpose, its culture, values and also demonstrates ethical leadership. The collective wisdom of the Board is translated into its decisions which form the basis for Management to achieve its targets. The primary role of the Board of Directors of the Bank is to enhance shareholder value. MCB Board is concerned with strategic matters and overseeing the business of the Bank in light of emerging risks and opportunities, on a regular basis and also involved in establishing and reviewing the strategies, yearly targets and financial objectives of the Bank. All the strategic decisions of the Bank are taken by the Board.

Significant Issues/Matters discussed/approved by the Board of Directors:

During the year 2018, the Board of Directors deliberated/ approved the following Significant Issues/Matters:

- Bank's Long-Term Strategic Plans, New Initiatives and Mid-Term Plans;
- Annual Budget for the year 2019;
- Bank's Policies including periodic reviews and amendments thereto;

Corporate Governance

- Financial Results of MCB Bank and consolidated Financial Results with its subsidiaries on quarterly, half-yearly and annual basis together with Directors' Report, Auditors' Report and Chairman's Review Report;
- Declaration of Interim and Final Cash Dividends;
- Related Party Transactions as recommended by Board's Audit Committee;
- Client Service Report (formerly known as Management Letter) issued by the External Auditors of the Bank and review of its compliance status;
- Institutional Risk Assessment Framework ("IRAF") Questionnaire;
- Significant activities and achievements of Board's Committees;
- Matters recommended by Board's Committees;
- Appointment/Engagement of External Auditors of the Bank as well as for Bank's Overseas Operations and also to Perform Agreed upon Procedures as recommended by the Audit Committee;
- Exception to Board's approved policies along with MIS;
- Exception from Current and Linkage Ratio Policy Framework;
- SBP Inspection Reports along with Time-Bound Action Plan thereon;
- Report on Corporate Social Responsibility Activities-2017;
- Quarterly and Annual Reports on Fraud & Forgery Cases;
- Fraud Risk Assessment;
- Consumer Lending Business and Wealth Management Business;
- Write-offs/Waivers approved at Different Authority Levels and recoveries thereto;
- Status and implications of all material law suits filed by and against the Bank;
- Annual Branch Expansion Plan of the Bank;
- Scheme of Compromises, Arrangements and Reconstruction to demerger of assets, liabilities and operations of 90 Branches with and into MCB Islamic Bank Limited;
- Regulations and Standards by Central Bank of the UAE; and
- Update on Laws, Rules and Regulations.

Matters Delegated to the Management:

The Board sets the strategic objectives and takes the overall responsibility of overseeing its implementation. The Board performs its duties by giving guidelines to the Management, setting performance targets and monitoring their achievements. The Management is primarily responsible for implementing the strategies as approved by the Board of Directors in conducting the operations of the Bank effectively. Tactical and operational matters are delegated to the Management.

Governance Practices Exceeding Legal Requirements:

MCB Board as a whole respects the country laws and ensures meticulous compliance of applicable laws, rules & regulations and being leading Bank always adheres to provide information and disclosures above the minimum regulatory requirements. The Board never gives the room for any sort of non-compliance and takes it as reputational risk for the Bank. The Management also regularly updates the Board with the latest development in the regulatory environment and maintains stringent control over regulatory compliance through designated resources. Following are some of the practices of the Bank which exceed the minimum legal requirement:

- The Board has formed its eight sub-Committees as against legal requirement of four.
- The Bank has only one Executive Director (President & CEO) though permitted two executive directors by SBP and four (one third of the Board as executive directors) under Code of Corporate Governance Regulations – 2017.
- The Bank reports additional information in the Annual Report for stakeholders which is not required by any laws.

Performance Evaluation of the Board of Directors:

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

The Board has put a formal and an effective mechanism for annual performance evaluation of the Board since 2014 as per the requirements of the Code of Corporate Governance. In 2016, the State Bank of Pakistan ("SBP") issued the 'Guidelines on Performance Evaluation of the Board of Directors' (the "SBP Guidelines"). The SBP Guidelines have widened the scope of performance evaluation and provided the mechanism, techniques and approaches. The Board revisited the 'Board Performance Evaluation Framework' in accordance with the provisions of the SBP Guidelines and the performance evaluation for the years 2016 and 2017 of the Board, the Chairman, Individual Directors, Independent Directors, the President & CEO and Board's Committees was conducted as per the requirements of the SBP Guidelines.

The Board decided to opt for In-house-Approach for performance evaluation of the Board, its Committees and Directors. The Board established an Evaluation Committee which was authorized to evaluate annual performance of the Board and its Committees by using the evaluation criteria as prescribed by the SBP Guidelines and the quantitative technique was adopted through scaled questionnaires by using rating scale and on the basis of performance determinants.

Corporate Governance

Performance Evaluation through External Independent Evaluator:

SBP under BPRD Circular No. 11 of 2016 dated August 22, 2016 required that Board evaluation should be undertaken by an external independent evaluator at least once in every three years. The performance evaluation of the Board, its Committees and Directors for the year 2018 is being conducted through an external independent evaluator.

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

The Board needs to act on a fully informed basis in the best interest of the Bank and its stakeholders. It has overall responsibility to approve and oversee implementation of the Bank's strategic objectives and to set 'tone at the top' in order to promote a sound corporate culture. The Evaluation Committee evaluated the overall Board's performance based on below criteria:

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

The Board Evaluation Committee has carried out evaluation of the Board and rated as excellent.

Evaluation of the Board Committees' Performance

The Evaluation Committee of the Board evaluated the Board Committees' performance based on criteria prescribed in SBP Guidelines.

Performance Evaluation of the Chairman, Individual and Independent Directors:

The performance evaluation of the Chairman of the Board was performed by the Independent Directors. However, Individual and Independent Directors were evaluated by all other directors of the Bank excluding the director being evaluated. In this regard, In-house-Approach for performance evaluation was adopted and specific questionnaires as provided by the SBP Guidelines were filled in and rated as excellent.

Performance Evaluation of the President & CEO:

The President & Chief Executive Officer ("CEO") of the Bank is vested with the responsibility of managing overall affairs of the Bank. The Board, assuming a monitoring role, delegates its authority to the CEO to effectively manage the Bank, implement strategic decisions / policies and align the Bank's direction with the vision and set objectives.

The performance evaluation of the President & CEO was evaluated by all other directors of the Bank.

In this regard, In-house-Approach for performance evaluation was adopted and the following specific questionnaires as provided by the SBP Guidelines were used.

Were the financial/business targets set by the board achieved?

- Does he possess leadership qualities i.e. correct anticipation of business trends, opportunities and priorities affecting the institution's prosperity and operations?
- Has he developed clear mission statement, policies, and strategic plans that harmoniously balance the needs of all the stakeholders?
- Does he ensure that company's resources and budgets are aligned with the implementation of the organization's strategic plan?
- Does he establish an effective organization structure to ensure management's focus on key functions?
- Does he timely and effectively execute strategies set by the board?
- Has he served as an effective representative while communicating with all the stakeholders?

The Board evaluated that the President & CEO managed the affairs of the Bank in accordance with sound business principles and prudent commercial practices. He achieved performance standards and financial/business targets as set by the Board. The effective leadership and team building efforts of the President & CEO helped in achieving maximum performance of the Bank. He ensured that Bank's resources and budgets are aligned with the implementation of strategic plan as approved by the Board and also conducted the affairs of the Bank in accordance with the best practices and policies approved by the Board, and promoted the highest standards of integrity, probity and good governance within the Bank.

Corporate Governance

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

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

Roles and Responsibilities of the Chairman:

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

The Chairman shall ensure that:

- The composition of the Board is in accordance with legal and regulatory requirements;
- The Board as a whole is functioning effectively in accordance with applicable laws, regulations and rules to inculcate sound business principles and prudent commercial practices;
- The Board receives appropriate, accurate, timely and unbiased information, in particular, about the Bank's affairs and performance to enable the Board to take sound and effective decisions;
- The meetings of the Board and the Shareholders of the Bank are convened in compliance with legal and regulatory requirements; and proceedings of such meetings are accurately and fairly recorded. The agenda of the meetings take full account of applicable laws & regulations and the requirements of Bank's business;
- All Board Members are encouraged to participate and raise issues and concerns in the Board discussions, whilst promoting highest standards of Corporate Governance;
- The Board is concentrating on relevant issues and conflicts (if any) are effectively resolved;
- The Board sets the tone and values of the Bank; promotes a culture of openness and constructive debate and effective decision making;
- The Board is periodically updated on its statutory and fiduciary duties, as required in relevant laws, regulations and rules, enabling the Directors to perform their roles & responsibilities properly and prudently in the best interest of the Bank;
- Good relationship is maintained with Board Members, the Management and the Shareholders; so that obligations to the Shareholders and other stakeholders are understood and met; and
- Shareholders' and other stakeholders' interest is promoted in the decisions taken by the Board.

The Chairman and the Vice-Chairman shall be elected by the Board in accordance with the provisions of the Articles of Association of the Bank and shall hold the office for a period of three years. In the absence of the Chairman, the above mentioned role and responsibilities of the Chairman shall be performed by the Vice-Chairman of the Bank.

Roles and Responsibilities of the President & CEO:

The President & CEO of the Bank, subject to the control and directions of Board, shall be entrusted with the whole, or substantially the whole, of the power of the Management to direct, manage, administer and control the affairs of the Bank. He shall be responsible to the Board for the implementation of its strategies, policies and decisions.

The President & CEO of the Bank shall:

- Set the appropriate performance standards to achieve financial/business targets set by the Board;
- Ensure that Bank's resources and budgets are aligned with the implementation of its strategic plan;
- Ensure assessment, monitoring and effective management of the significant risks to the Bank;
- Ensure that Bank maintains high standards of corporate citizenship and social responsibility wherever it operates;
- Establish an effective organizational structure having appropriate resources/systems within the Bank, to ensure Management's focus on key functions;
- Timely and effectively execute strategies set by the Board;
- Manage the affairs of the Bank in accordance with strategies and long term objectives approved by the Board;
- Ensure effective communication with the Board, Shareholders, Employees, regulatory authorities and other stakeholders and serve as an effective representative of the Bank while communicating with all the stakeholders;
- Ensure through effective leadership, team building and motivation that the maximum possible performance is achieved by the Bank and ensure that the affairs of the Bank are being managed in accordance with highest ethical standards, sound business principles and prudent commercial practices;
- Exercise the overall control, discretion, administration and supervision for the sound and efficient management and conduct of the business of the Bank;
- Monitor short term goals and ensure that the operating groups/divisions develop their own plans for the future, which need to be quantified as far as possible with benchmarks established;
- Conduct a periodic performance review of the Senior Management team so that major initiatives such as expansion strategies, acquisitions and capital investments should be finalized and adopted through major marketing and development exercises;
- Provide the Board with the relevant information it needs to carry out its fiduciary responsibilities and to supervise the

Corporate Governance

Senior Management;

- Liaise between the Board and the staff, and communicate on a regular basis with both to promote understanding, cohesiveness and coordination for development of policies and their implementation;
- Ensure the compliance of applicable laws, rules and regulations;
- Ensure establishment of an effective information mechanism whereby internal and/or external significant/material items affecting Bank's affairs are identified and shared with relevant stakeholders on timely basis; and
- Maintain follow up on regulators' observations and other lawful instructions and issues raised by external and/or internal auditors and to ensure their strict adherence/compliance in Bank's operations.

Code of Conduct & Ethical Standards for Directors:

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

Directors' Profile:

Directors' Profile has been incorporated in the " Board of Directors" Section.

Accessibility of Annual Report-2018:

Annual Report-2018 and other information of the Bank are accessible on Bank's Website: www.mcb.com.pk

Security Clearance of Foreign Directors:

Foreign Directors elected on the Board of the Bank requires security clearance from Ministry of Interior through SECP. All legal formalities and requirements have been met and fulfilled in this regard.

Diversity:

The Board of Directors firmly believes that the diverse mix of gender, knowledge, expertise and skill sets of the members/ employees enhances the effectiveness of the Bank.

MCB is committed in fostering, cultivating and preserving a culture of diversity and inclusion. Human capital is the most valuable asset the Bank has. The collective sum of the individual's life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that employees invest in their work, represents a significant part of Bank's culture, as well as reputation and achievement.

The Bank embraces and encourages employees' with a mix of age, physical disability, family ethnicity, language, political

affiliation, religion, sexual orientation, socio-economic status and other characteristics that make its employees unique.

Related Parties and approved Policy for Related Party Transactions:

The Board of Directors has approved a Policy for Related Party Transactions. The Bank's policy is to conduct all the related party transactions on an arm's length basis in the in the normal course of business. If a transaction is not conducted on arm's length basis then specific approvals or ratifications is required by the Board on recommendation of the Audit Committee of the Bank in order to avoid any potential conflict of interest.

The policy specifies that all transactions entered into with related parties shall require Board's approval on the recommendation of the Board Audit Committee of the Bank, which is chaired by an independent director of the Bank.

Every director (including spouse, children, step children and parents) of the Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the board. No director of the Bank shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank, if he/she is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his/her presence count for the purpose of forming a quorum at the time of any such discussion or vote.

During the year, the Bank has entered into transactions and contracts with the related parties i.e. subsidiary and associate companies, post employment benefit plans for the Bank's employees, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under HR policy of the Bank. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

The Bank has made detailed disclosures about related party transactions in its financial statements annexed with this annual report.

During the year, no contract or arrangement entered with related parties other than in the ordinary course of business on an arm's length basis.

Corporate Governance

Managing Conflict of Interest:

Overview:

A conflict of interest arises when a director has an interest, pecuniary or otherwise, which can be regarded as a conflict of interest between his duty to perform his functions and such interest which could impair his ability to consider and decide any question impartially or create bias in his decision.

The Board Members owe certain fiduciary duties, including the duties of loyalty, diligence, and confidentiality to the Bank which require that a director must act in good faith in order to promote the objectives of the Bank in the best interests of the Bank and its shareholders, employees and community as a whole. Every director of the Bank has responsibility to disclose potential or actual conflicts of interest with respect to his/her duties as soon as they arise or he/she becomes aware of them. All the Board Members took reasonable steps to avoid being in an actual, apparent or potential conflict of interest. The Board recognizes the responsibility to adhere to the defined policies of the Bank and avoid perceived conflicts of interest that may arise during the course of business.

The Bank has also developed “Code of Conduct & Ethical Standards for Directors” as per requirements of Code of Corporate Governance which is signed by every Director of the Bank and all of the Board Members are compliant with the provisions stipulated thereto.

Disclosure of Interest by Director:

Every director (including spouse, children, step children and parents) of the Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the Board. No director of the Bank shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank, if he/she is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his/her presence count for the purpose of forming a quorum at the time of any such discussion or vote.

Where any director of the Bank including his/her spouse, minor children and private limited company in which such director is a shareholder sells, buys or transacts, whether directly or indirectly, in shares of the Bank shall immediately notify, in writing, to the Company Secretary of such transaction. Such director shall also deliver a written record of the price, number of shares, form of share certificates, i.e. whether physical or electronic within the Central Depository System, and nature of transaction to the Company Secretary within two days of effecting the transaction. Further, if any director makes any gain while trading in the securities of the Bank within the period less than six months shall report the same to SECP along with amount

of such gain within the stipulated time. No director shall, directly or indirectly, deal in the shares of the Bank, in any manner, during the closed period as determined by the Board of Directors.

Disclosure of Interest by Officers:

No other Officer of the Bank who is in any way, directly or indirectly, concerned or interested in any proposed contract or arrangement with the Bank shall, unless he discloses the nature and extent of his/her interest in the transaction and obtains the prior approval of the Board of Directors, enter into any such contract or arrangement.

Exposure in Companies where Directors are Interested:

The Bank may take exposure in the companies in which directors (including their spouses, parents, and children) hold key management positions, or are interested as partner, director or guarantor, or shareholders holding 5% or more of the share capital of that concern, with the approval of the majority of the directors excluding the director concerned. The financing facilities shall be extended at market terms and conditions and be dealt with on arm's length basis.

The Bank shall not enter into leasing, renting and sale/purchase of any kind with their directors, officers, employees or such persons who either individually or in concert with family members beneficially own 5% or more of the equity of the Bank.

The Bank shall not take unsecured exposure on, or take exposure against the guarantee of any of its directors, any of the family members of any of directors and any firm or private company in which our directors are interested as director, proprietor and partner or public company in which such persons are substantially interested.

Conflicts of Interest Register:

The Bank maintains a register of all contracts, arrangements or appointments in which directors are interested.

Insider Trading:

Directors being the insiders are prohibited by the law to indulge in insider trading. They shall not deal directly or indirectly in the securities of the Bank whether on their own account or their relative's account, if they are in possession of any unpublished price sensitive/inside information, which if published or known, is likely to materially affect the price of Bank's securities. Directors are usually considered to have such information, shall not communicate directly or indirectly the said information to others who might exploit such information while trading in the securities of the Bank.

As per the regulatory requirements relating to Insiders' trading, the Bank is maintaining the register of Insiders who have access to unpublished price sensitive/inside information and the said Register regularly updated by the authorized personnel of the Senior Management of the Bank.

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Whenever, the Bank or a person acting on its behalf, discloses any inside information to any third party in the normal exercise of employment, profession or duty; a complete and effective public disclosure of that information is made simultaneously unless such person owes a duty of confidentiality. Further, Bank has approved policy on Prohibition of Insider Trading which is effectively implemented throughout the Bank.

Investor Grievances:

MCB Bank ensures safeguarding the interests of its stakeholders by effective communication at regular intervals through multiple mediums. However, the Bank acknowledges that there may be instances where the stakeholders may have unaddressed concerns which if unresolved may become a grievance. To timely address any untoward incident, the Bank has a well-functioning grievance mechanism that provides a transparent and credible process resulting in outcomes that are seen as impartial, effective, and durable. Through this initiative the Bank is able to reduce investment risks, provide an effective avenue to express and resolve concerns, thereby substantiating positive relationship.

The Bank ensures quality services with uncompromising focus on investors' concerns and transparency in execution thereby extending respect to the trust placed.

A centralized function namely the Shares department in the Corporate Affairs Division manages any such investor grievances. Investors can lodge complaints by contacting the shares registrar, or write a letter or send an email to the share department of the Bank. A designated e-mail address, (investor.relations@mcb.com.pk) has been created to timely address the same and is readily available through our website and annual reports. The Bank ensures resolution of any grievances within statutory timelines.

Human resource management policies and succession planning:

Human Resource Policies have been approved by the Board of Directors of the Bank on the recommendation of Human Resource and Remuneration Committee of Board in order to provide clear and definitive directions on human resource (HR) related matters.

MCB being an equal opportunity employer is committed to create a congenial and efficient work environment in which the employees are assured a non-discriminatory, transparent, harassment free and respectful atmosphere regardless of their cast, creed, religion and gender. The Bank talent-acquisition policies provide unbiased criteria for hiring people through lateral and batch hiring, from any background as long as they qualify for the professional criteria required by the Bank. The culture at MCB Bank also depicts a healthy, team based and cooperative environment. We value the unique talents and perspectives of our employees and strive to create a respectful workplace

The Bank is committed towards employee development practices which enable all its employees to reach their optimum potential, thereby creating a high performance organization. This belief is supported by the Bank's comprehensive approach towards performance management, career development and management training. The Bank affirms its belief in motivating its work force through positive reinforcement and opportunities in each of these key areas regarding employee development.

The Bank has a transparent KPI based performance assessment and reward mechanism that allows front-office employees to track their performance with their goal achievement throughout the year.

Succession Planning Policy provides guidelines to develop and retain the talent pool of employees in order to ensure the continuity of leadership for all critical position in the Bank. Succession Planning is a continuous process that involves identification, assessment and development of talent, which in turn ensures that the Bank's management is able to keep up with the changing business environment. The Bank reviews and update succession plan periodically.

The Bank has complete set of policies covering below areas:

- Talent Acquisition and Induction Policy
- Learning and Development Policy
- Succession Planning and Policy
- Compensation and Benefits Policy
- Staff Financing Policy
- Leaves Policy
- Education Assistance Policy
- Travel Policy
- Performance Management Policy
- Work environment Policy
- Organizational Structural Policy
- Transfer and rotation Policy
- Separation policy
- Policy for Protection of Women against Harassment
- Disciplinary Action Policy
- Grievance Resolution Policy

Business Continuity Plan:

The Board of Directors of the Bank periodically reviews the effectiveness of Business Continuity Policy & Framework to ensure that clear and concise plans are maintained for all critical areas while strong remedial actions are in place to reduce the risk of downtime against any untoward situation. Practicing BCP on regular intervals have given a confidence to the bank that it can live up-to the expectation of its stakeholders by ensuring functionality of its critical businesses and functions.

Corporate Governance

Policy for Sustainability and Corporate Social Responsibility (CSR):

Policy Sustainability and Corporate Social Responsibility (CSR) is detailed in Sustainability and Corporate Social Responsibility Section of this report.

Responsibilities of Management and the Board of Directors toward the preparation and presentation of the financial statements:

The Management is aware of its responsibility for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Unreserved Compliance of International Financial Reporting Standards (IFRS):

The management of the Bank strongly believes in adherence to unreserved compliance with all the applicable International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) for true and fair presentation of financial statements.

Financial statements for the year have been prepared in accordance with the accounting and reporting standards issued by IASB as are applicable in Pakistan. IFRS adoption status is detailed in note 3 of the unconsolidated financial statements.

Record Management Policy:

Record management is a methodological approach to control the maintenance and disposition of organization's record. Record management ensures that valuable record evidencing an organization's activities that have legal, financial, administrative or historical value are protected and accessible while expired record is systematically destroyed. Thus MCB Bank has put in place comprehensive processes, controls and guidelines on handling, protection, retention, retrieval, and disposition of recorded business information generated daily which are of ongoing importance to MCB's overall service capability and regulatory compliance. In its endeavor to comply these guidelines / processes, bank has already achieved major milestones.

Social and Environmental Responsibility:

MCB Bank Limited undertakes its responsibility to be recognized as an organization that is aware of both its social and environmental obligation.

The Bank continuously strives to inculcate the same by creating awareness amongst stakeholders, streamlining its operational processes and reinforcing the same through various policies. The key areas that the Bank focuses upon are to provide a safe and healthy workplace, protect the environment and conserve energy through use of appropriate technology and management practices.

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

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

Stakeholders' engagement:

Stakeholders' engagement and the steps taken to solicit and understand the views of the shareholders is detailed in stakeholders' engagement section of this report.

Corporate Governance

Whistle Blowing Program

Overview

MCB Bank is committed to continually operate at the highest standards of conduct in our business. We are the trustees of public funds and it is our core value to serve our community with integrity. We endeavor to earn and uphold the trust of all our customers and stakeholders by serving and dealing with them lawfully, ethically and professionally.

Purpose

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

Scope

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

Protection of Whistle Blowers

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

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

Incentives for Whistle Blowing

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

Whistle Blowing Mechanism

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

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

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

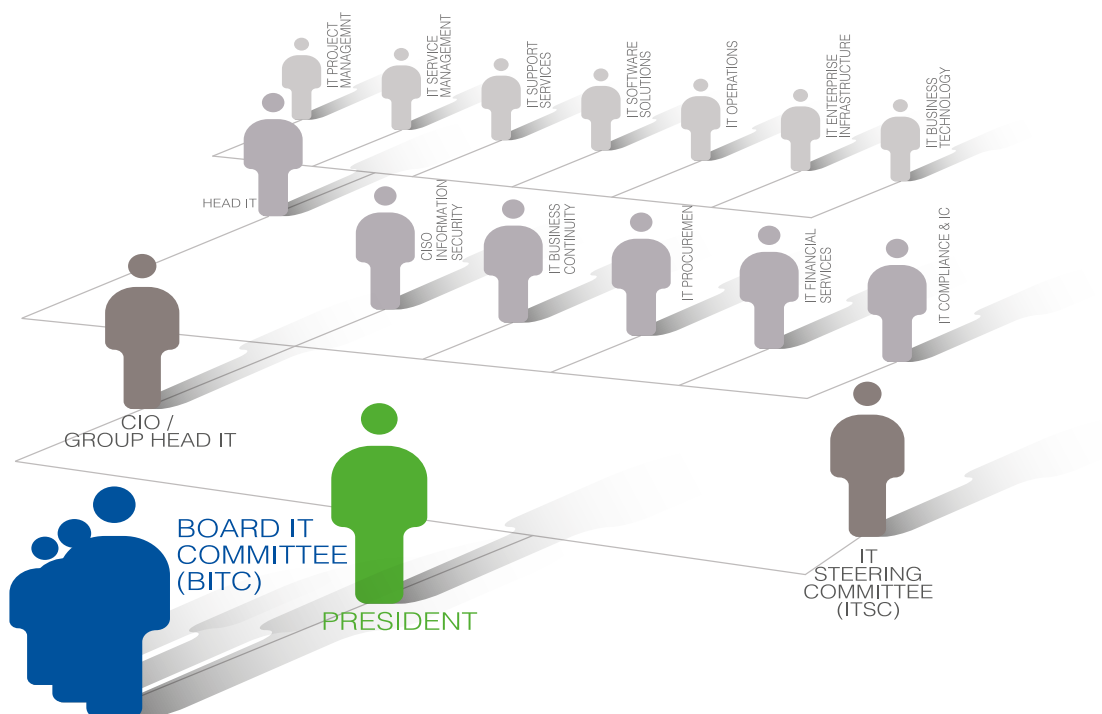
Number of instances reported to Audit Committee

Number of whistle blowing incidents (wrongdoings) along with update on investigations/resolution reported to the Audit Committee and Board of Directors during the year 2018 was 27.

Significant changes from prior years

- During 2018, Board was elected by shareholders in Annual General Meeting held on March 27, 2018.
- During the year, Mr. Salman Zafar Siddiqi resigned from his position as CFO and Board approved the appointment of Mr. Hammad Khalid as CFO of the Bank.
- During the year, the Bank has transferred business of 90 branches to its wholly owned subsidiary MCB Islamic Bank Limited. Detail is given in note 1.1 of the unconsolidated financial statements.

IT Governance



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

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

- Directing the operations of Information and technology Services for efficient and smooth delivery of technology services;
- Integrating IT Strategy with Bank's Strategy;
- Encouraging technical innovation and the development of a robust and dependable technology infrastructure;

- Strengthening the IT Governance;
- Providing guidance, oversight, and strategic thinking on information technology;
- Setting the overall direction for IT Group to introduce and implement innovative technology solutions;
- Ensuring the availability of Bank's mission critical services are up running and active DR invocation mechanism at the time of disaster.

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

Group is further be strengthened by following functions:

- IT Enterprise Infrastructure
- IT Operations
- IT Software Solutions
- IT Service Management
- IT Support Services
- IT Information Security

IT Governance

- g. IT Business Technology
- h. IT Project Management
- i. IT Financial Services
- j. IT Procurement
- k. IT Compliances & Internal Control
- l. IT Business Continuity

Internal Governance

The Bank's Management IT Steering Committee (ITSC) & Board IT Committee (BITC) are the governing bodies that review, monitor, prioritize and approve major IT projects. Key Objectives of these committees are:

- To provide a forum for discussions, review and advice on Technology needs, Investments, Issues & Progress;
- Prioritize, approve and monitor investments (projects & resource allocation), financial objectives and performance in order to review whether IT and Business strategies aligned with each other;
- Assessment of IT capability and adequacy of the IT infrastructure & Guidance on strategic goals and direction to see if enterprise achieving the optimum use of the IT resources;
- To review adoption of best practices, standardization and interoperability internally and externally;
- To provide resolution of cross-function or intercompany critical issues;
- Consideration of risk exposures and monitoring of risk management;
- To review the communication path between the board/executive and middle management.

Information Security: MCB management has centralized the authority, direction, management, and monitoring of Information Security activities for the entire organization in the Information Technology Group (ITG) under the umbrella of Information Security (IS) Team within the Group. This function is responsible for establishing, elaborating, and maintaining IT system's security compliance, define security controls in the following listed sections of Information Security Policy, processes, and documentation (SOPs, manuals, etc.) commensurate with Information Security Policy, departmental framework, and the changing threat landscape. Information Security function also helps to ensure bank wide compliance with Information

Security Policy, handling incidents of security breach, and recommending corrective action.

Project Governance:

Effective project governance needs to be in place to ensure the Project is adequately supported and guided towards achieving its intended outcomes, and to ensure key decisions are made with appropriate governance oversight. IT-PMO (Project Management Office) is a central point of contact at Information Technology Group to facilitate ITG's other verticals and Other Groups for endeavoring successful deliveries of major and critical "IT Projects". The function is mainly responsible for:

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

IT Compliance:

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

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