



Bank for Life

HALF YEARLY REPORT

2 0 1 8





Our Vision

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

Our Mission

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

Our Values

The standards and principles which determine our behavior and how we interact with our customers and each other

Credit Rating
Long - Term AAA (Triple A)
Short-Term A1+(A one plus)
By PACRA

CORPORATE PROFILE

BOARD OF DIRECTORS:

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

AUDIT COMMITTEE:

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

| | |
|---|---|
| Chief Financial Officer: (Officiating) | Mr. Hammad Khalid |
| Company Secretary | Mr. Fida Ali Mirza |
| Auditors: | M/s. KPMG Taseer Hadi & Co. Chartered Accountants |
| Legal Advisors: | M/s. Khalid Anwer & Co. Advocates & Legal Consultants |
| Registered / Principal Office: | MCB House, 15-Main Gulberg Jail Road, Lahore Pakistan |
| Registrar’s and Share Registration Office (s): | Head Office: M/s. THK Associates (Pvt.) Limited 1 st Floor, 40-C, Block 6, P.E.C.H.S., Karachi Pakistan Branch Office: M/s. THK Associates (Pvt.) Limited 1 st Floor, DYL Motorcycles Limited Office, 147- Q Block, Behind Emporium Mall, Johar Town, Lahore Pakistan |

DIRECTORS' REPORT - JUNE 2018

On behalf of the Board of Directors, we are pleased to place before you, the financial statements of MCB Bank Limited (MCB) for the six months period ended Jun 30, 2018;

Profit Before Taxation

Taxation

Profit After Taxation

Un-appropriated Profit Brought Forward

Remeasurement of Defined Benefit Plans - net of tax

Transferred from Surplus on Revaluation of Fixed Assets - net of tax

Profit Available for Appropriation

Appropriations:

Statutory Reserve

Final Cash Dividend - December 2017

Interim Cash Dividend - March 2018

Total Appropriations

Un-appropriated Profit Carried Forward

Performance Review

During the six months period ended June 30, 2018, MCB Bank Limited reported Profit Before Tax (PBT) of Rs. 16.00 billion (-9.74%) and Profit After Tax (PAT) of Rs. 9.76 billion (-28.68%). The significant decrease in PAT was on account of a tax provision reversal amounting to Rs. 3.59 billion recorded in June 2017 results.

Net interest income of the Bank improved significantly by 12.49% over corresponding period last year and was reported at Rs. 22.55 billion. Analysis of the interest earning assets highlights that income on advances increased by Rs. 4.8 billion, primarily on account of significant increase in average advances volume of Rs. 118 billion with improved yield of 39bps. On the investment side, the average volume dropped by Rs. 88 billion with decrease in yield of 9bps, resulting in a decrease of Rs. 3.4 billion in investment income. On the interest expense side, the Bank registered a decrease of Rs. 756 million (-4.75%) in comparison with the same period last year. The decrease in cost was on account of improved current account concentration level and constant reduction in high cost deposits. Resultantly, the spread of the Bank improved to 3.69% from 3.48% of same period last year.

The non-markup income block of the bank was reported at Rs. 8.26 billion reflecting a decrease of 14.63% when compared with corresponding period last year. The Bank continued with its focus on core non-fund based income stream which was reflected in 11% growth in the fee, commission and brokerage line. Income from dealing in foreign currencies reflected an increase of Rs. 225 million (+32%) when compared with corresponding period last year. Capital gains and dividend income went down by Rs. 2.09 billion and Rs. 242 million respectively, due to the lackluster performance of the capital market during the period.

On the administrative expenses side, the bank reported an increase of 18.87% (excluding pension fund) over corresponding period last year with major increase in personnel cost, rent, depreciation and repairs, primarily on account of cost associated with Ex-NIB operational activity. Administrative expenses include one-off expense of Rs. 1.90 billion on account of past service cost based on actuarial valuation of pension cost payable as per Honourable Supreme Court's order. On the provision against advances front, the Bank continued with its recovery trajectory and posted a reversal of Rs. 1.43 billion, with Rs. 220 million reversals in provision against investments.

The total asset base of the Bank on a standalone basis was reported at Rs. 1.42 trillion reflecting an increase of 7.11% over December 31, 2017. Analysis of the assets mix highlights that net investments have increased by Rs. 32.15 billion (+4.89%) with net advances increasing by Rs. 41.38 billion (+8.82%) over December 31, 2017. The coverage and infection ratios of the Bank improved to 94.07% (Dec 2017: 93.74%) and 8.49% (Dec 2017: 9.47%) respectively.

On the liabilities side, the deposit base of the Bank registered a significant increase of Rs. 50.26 billion (+5.19%) over December 2017 which resulted in the Bank crossing One Trillion Deposit benchmark. The increase of Rs. 50.26 billion is net of the deposits transferred to MCB' wholly owned subsidiary MCB Islamic Bank Limited to the tune Rs. 21.92 billion. MCB Bank Limited continued to enjoy one of the highest CASA mixes in the banking industry of 92.90% with current deposits increasing by 6% and savings deposits by 5% over December 2017. The concentration level of the current accounts stands improved to 39.23% of the total deposit size as at June 30, 2018.

Earning per share (EPS) for the half year was Rs. 8.24 as compared to Rs. 12.30 during the same period last year. Return on Assets and Return on Equity were reported at 1.42% and 14.29% respectively, whereas book value per share was reported at Rs.115.40.

The Board of Directors declared 2nd interim cash dividend of Rs. 4.0 per share for the half year ended June 30, 2018, which is in addition to Rs. 4.0 per share interim dividend already paid to shareholders.

Demerger of 90 branches from MCB Bank Limited

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



Ratings

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.

Economy Review

During the second quarter of 2018, the majority of Pakistan's macroeconomic fundamentals remained fairly positive, which continued to contribute to economic growth and development. However, despite encouraging signs, there are some significant areas which would need careful attention by the authorities.

Pakistan's goods exports posted a substantial improvement, growing by 12.6% YoY, in dollar terms, during Jul – Jun FY18 to \$24.7 billion. At the same time, however, goods imports continue to rise, increasing by 14.7% YoY, in dollar terms to almost \$55.9 billion. Pakistan's import bill has risen owing to imports under the CPEC umbrella while oil imports have also increased. As a result, Pakistan's total goods trade deficit widened to \$31.1 billion, as per the State Bank of Pakistan, up by around \$5 billion from the comparative period in the previous fiscal year. Meanwhile, workers' remittances stood at \$19.6 billion, posting a healthy increase of 1.5% from the previous fiscal year. The positive improvements in exports and remittances, however, were not sufficient to contain pressures on the external front. Pakistan's current account deficit increased to around 5.7% of GDP in Jul – Jun FY18, more than last year's deficit of 4.1%.

Therefore, on the foreign exchange market side, the Pakistani Rupee depreciated against the US dollar towards the start of June by around 5.1% from 115.60 to 121.55. Pakistan's FX reserves have been on the decline, falling from \$17.8 billion at the beginning of the quarter to \$16.4 billion by 29 June due to external debt servicing and other official payments.

On the positive side, however, China-Pakistan Economic Corridor is beginning to show greater momentum with several energy and infrastructure projects in the pipeline, which will fuel growth in the medium term. Pakistan is expected to grow at 5.8% during FY18 according to the government's estimates, just short of the target of 6.0%. CPEC will also attract foreign investment to Pakistan and enhance its status as a regional manufacturing hub. During Jul – Jun FY18, net FDI stood at \$2.8 billion, similar to the FDI seen from Jul– Jun FY17.

Pakistan's CPI inflation ended the previous quarter at 3.26% YoY in Mar. However, most recently, in June, CPI inflation was registered at 5.21% YoY on the back of increasing prices in the food category, fuel and services. There was an upward movement in core inflation, which came in at 7.1% YoY from 5.8% YoY in March. Meanwhile, the fiscal deficit for FY18 is also expected to be recorded at 6.5% of GDP, which is well above the government's target. The State Bank of Pakistan, owing to significant pressures from the external side as well as inflation decided to increase its policy rate by 50 bps at 6.50% at its Monetary Policy Committee meeting in May.

As regards Pakistani stock markets, the KSE-100 fell as the country geared up for general elections at the end of July. The KSE-100 began the quarter at 45,560 but ended 8% down at 41,911.

In summation, while it is expected that economic growth in Pakistan will continue to be strong, the effectiveness of policy measures and political stability will largely dictate whether the material benefits are realized to their inherent potential. At the same time, risks emanating from the external side and fiscal side will have to be closely watched.

Future Outlook

Pakistan is expected to achieve GDP growth of 5.8% in FY18, which is a ten year high. The government is targeting 6.2% growth in FY19, and while this target appears ambitious for this year, expected acceleration in projects under CPEC will become a significant contributor to greater GDP growth in the coming years. Improvements in energy supply are also a key objective for the government, and any managed load-shedding is likely to be eliminated in the near future. However, Pakistan will need to maintain fiscal discipline and keep government expenditures in check as it bids to spend on development projects. Export competitiveness still remains a concern and requires special attention from the government to boost productivity, reduce costs of production and embark on greater diversification in the export sector. Despite the devaluation of the rupee relative to the dollar, which will help address the external imbalances of the country to a certain extent, pressures emanating from the external side will still have to be closely watched and will largely depend on timely materialization of financial inflows and reduction in import bill to improve the country's foreign exchange reserves.

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

Imran Maqbool
President & CEO
MCB Bank Limited

August 01, 2018

Nor Hizam Bin Hashim

Nor Hizam Bin Hashim
Director
MCB Bank Limited

ڈائریکٹرز کی رپورٹ - جون 2018ء

بورڈ آف ڈائریکٹرز کی جانب سے ہم، ایم سی بی بینک لمیٹڈ کے 30 جون 2018ء کو اختتام پذیر ششماہی کے مالیاتی نتائج، آپ کے سامنے پیش کرتے ہوئے سرت محسوس کرتے ہیں۔

ملین روپے

16,000

6,237

9,763

53,776

(679)

26

53,123

62,886

976

4,740

4,740

10,456

52,430

منافع قبل اخراجات

ٹیکس

منافع بعد اخراجات

اختصاصی غیر تخصیص شدہ منافع

ایمپلائز بھٹیکس پلان کی دوبارہ پیکش (خالص اخراجات)

پائیدار اثاثوں کی ازسرنو تخمینہ پر اضافی آمدن (خالص اخراجات)

تخصیص کیلئے دستیاب منافع

تخصیص:

قانونی ریزرو

حتمی کیش ڈیویڈنڈ برائے دسمبر 2017

عبوری کیش ڈیویڈنڈ برائے مارچ 2018

کل تخصیص

اختصاصی غیر تخصیص شدہ منافع

کارکردگی کا مجموعہ:

30 جون 2018ء کو اختتام پذیر، اس عرصہ کے دوران، ایم سی بی بینک نے 16 ملین روپے کا قبل اخراجات منافع (9.74% -) اور 9.76 ملین روپے کا بعد اخراجات منافع (28.68% -) حاصل کیا۔ بعد اخراجات منافع میں نمایاں کمی کی بڑی وجہ 3.59 ملین کی ٹیکس ریوولر تھی۔ جو کہ جون 2017 کے نتائج میں درج کی گئی تھی۔

بینک کی خالص اثزست آمدنی، گزشتہ سال کی قابل مدت کے تناظر میں 12.49 فی صد کی نمایاں بڑھوتی کے باعث 22.55 ملین روپے پر ریکارڈ کی گئی۔ پیداواری اثاثوں کا جائزہ اس امر کی عکاسی کرتا ہے کہ قرضہ جات سے حاصل ہونے والی آمدنی میں 4.8 ملین روپے کا اضافہ ہوا، جس کی بنیادی وجہ قرضہ جات کے اوسط حجم میں 118 ملین روپے کا اضافہ اور ریٹرن میں 39 بی پی ایس کی بہتری تھی۔ سرمایہ کاری کی مد میں 3.4 ملین روپے کی دیکھی گئی جس کی وجہ اوسط حجم میں 8 ملین روپے اور ریٹرن میں 9 بی پی ایس کی کمی تھی۔

اثزست اخراجات کی مد میں بینک نے گزشتہ سال کے قابل مدت کی نسبت 756 ملین روپے (4.75% -) کی کمی ریکارڈ کی۔ اخراجات میں یہ کمی زیادہ لاگت کے ڈیپازٹس میں مسلسل کٹوتی اور کرنٹ ڈیپازٹس میں مجموعی اضافہ کے باعث درج کی گئی۔ چنانچہ بینک کا سپر پیلز گزشتہ سال کی اسی مدت کے مقابل میں 3.48 فی صد سے بڑھ کر 3.69 فی صد تک جا پہنچا۔

بینک کی نان مارک اپ آمدنی گزشتہ سال کی اسی قابل مدت کی نسبت 14.63 فیصد کی کمی کے ساتھ 8.26 ملین روپے پر درج کی گئی۔ بینک اپنی وجہ غیر سرمایاتی خالص آمدنی پر مسلسل مرکوز کئے ہوئے ہے جس کے باعث فیس، کمیشن اور بروکرینج کی آمدنی میں 11 فیصد کا اضافہ دیکھنے میں آیا۔ غیر ملکی کرنسیوں کی ڈیلنگ سے حاصل ہونے والی آمدنی میں گزشتہ سال کے اسی قابل مدت کی نسبت 225 ملین روپے (32% +) کا اضافہ ریکارڈ کیا گیا۔ کینپل گین اور ڈیویڈنڈ آمدنی میں کینپل مارکیٹ میں غیر متوازن رجحان کی بدولت 2.09 ملین روپے اور 242 ملین روپے کی باترتیب کمی کا اندراج کیا گیا۔

اختصاصی اخراجات کے حوالے سے بینک نے پچھلے سال کی اسی قابل مدت کی نسبت 18.87 فیصد (بخر وچ خشن فنڈ) کا اضافہ ریکارڈ کیا۔ جس میں عبوری طور پر ایس این آئی بی (EX-NIB) سے متعلق عملی سرگرمیوں کے باعث افرادی لاگت کرایہ فرسودگی اور مرمت کے اخراجات میں اضافہ درج کیا گیا۔ اختصاصی اخراجات میں معزز سپریم کوٹ کے حکم کے تحت 1.9 ملین روپے کا خشن کا خرچ بھی شامل ہے جو کہ ماضی کی خدمات کی لاگت پر مشتمل ہے جس کا تعین خشن کی قابل ادائیگی لاگت کے انکچورنگل تخمینہ پر کیا گیا ہے۔ قرضہ جات کی متعلقہ پروویژن میں 1.43 ملین روپے اور سرمایہ کاری پروویژن میں 220 ملین روپے کی یوسل کمی گئی ہے۔

بینک کے کل اثاثہ جات دسمبر 2017 سے 7.11 فیصد کے اضافہ کے ساتھ 1.42 ٹریلین روپے پر رپورٹ ہوئے۔ اثاثوں کی ترکیب کا جائزہ واضح کرتا ہے کہ دسمبر 2017 کی نسبت خالص سرمایہ کاری میں 32.15 ملین روپے (8.89% +) اور خالص قرضہ جات میں 41.38 ملین روپے (8.82% +) کا اضافہ ہوا۔

بینک کی کوریج اور فیکٹس کی شرح بہتری کے ساتھ باترتیب 94.07 فیصد (دسمبر 2017 -) (93.74% -) اور 8.49 فیصد (دسمبر 2017 -) (9.47% -) تک جا پہنچیں۔

واجبات کی مد میں بینک نے اپنے ڈیپازٹس کی اساس میں دسمبر 2017ء کی نسبت 50.26 ملین روپے (5.19% +) کا قابل قدر اضافہ ریکارڈ کیا، جس کے باعث بینک نے ایک ٹریلین ڈیپازٹ کا سنگ میل بھی عبور کیا۔ 50.26 ملین روپے کا یہ اضافہ بینک کے اپنی مکمل ملکیتی کھٹی، ایم سی بی اسلامک بینک 21.92 ملین روپے کی ڈیپازٹس کی منتقلی کے علاوہ ہے۔

ایم سی بی بینک نے بینکنگ انٹرسٹی میں اپنے بلند ترین کرنٹ اکاؤنٹس سہولتگ اکاؤنٹس (CASA) 92.90 فیصد کے تناسب کو خوش اسلوبی سے برقرار رکھا ہے۔ اور دسمبر 2017 کی نسبت کرنٹ اکاؤنٹس میں 6 فیصد اور سہولتگ اکاؤنٹس میں 5 فیصد کا اضافہ ریکارڈ کیا ہے۔ اور کرنٹ اکاؤنٹس کا کل ڈیپازٹ میں ارتکاز 39.23 فیصد تک بڑھ گیا ہے۔

فی حصص آمدنی (EPS) نصف سال کے عرصہ میں 8.24 روپے رہی جو کہ پچھلے سال کی اس قابل مدت میں 12.30 روپے تھی۔ اثاثہ جات اور ایکٹیوٹی پر ریٹرن باترتیب 1.42 فیصد اور 14.29 فیصد ریکارڈ کیا گیا۔ جبکہ یک ویلیو فی حصص 115.40 روپے رہی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018ء کو اختتام پذیر ششماہی کیلئے 4.0 روپے فی شیئر کے دوسرے عبوری کیش ڈیویڈنڈ کا اعلان کیا ہے۔ جو کہ شیئر ہولڈرز کو پہلے سے ادا شدہ 4.0 روپے فی شیئر کے عبوری ڈیویڈنڈ کے علاوہ ہے۔

ایم سی بی بینک لمیٹڈ سے 90 ماہانوں کی لمبھگی:

دوسری سہ ماہی کے دوران بینک نے اپنی 90 ماہانوں کو اپنی مکمل ملکیتی ذیلی ادارے ایم سی بی اسلامک بینک لمیٹڈ کو مالیاتی سے منتقل کر دیا ہے۔

ریٹھکو:

پاکرا (PACRA) نے اپنے نوٹیفکیشن بتاریخ 27 جون 2018 کے ذریعہ ایم سی بی بینک کی طویل المدتی کریڈٹ ریٹنگ کو فریل اے (AAA) اور قلیل المدتی کریڈٹ ریٹنگ کو اے ون پلس (A1+) کی سطح پر برقرار رکھا ہے۔ مزید براں، پاکرا نے بینک کے ٹی ایف سی (TFC) کی ریٹنگ کو بھی فریل اے (AAA) کی سطح پر برقرار رکھا ہے۔

معاشی جائزہ:

سال 2018ء کی دوسری سہ ماہی کے دوران پاکستان کی میکرو اکنامک اساس کے زیادہ تر عوامل مثبت رہے جو کہ معاشی نمو اور ترقی میں اپنا کردار ادا کر رہے ہیں تاہم ان مثبت اشاروں کے باوجود چند اہم معاملات بھی موجود ہیں جو متعلقہ حکام کی احتیاط اور توجہ کے طلب ہیں۔

پاکستان کی اشیاء کی برآمدات میں، امریکی ڈالروں میں، سالانہ بنیاد پر 12.6 فیصد کی نمایاں بہتری آئی ہے۔ جو کہ مالی سال جولائی - جون 2018 کے دوران 24.7 ملین امریکی ڈالر تک بڑھ گئیں۔ اسی اثاء میں اشیاء کی درآمدات میں بھی تیزی دیکھی گئی۔ جو کہ سالانہ بنیاد پر، 14.7 فیصد کے اضافہ سے، تقریباً 55.9 ملین امریکی ڈالر تک پہنچ گئیں۔ پاکستان کی درآمدات میں بڑا اضافی پیک (CPEC) سے متصل درآمدات کے باعث رہا۔ جس کے نتیجہ میں اسٹیٹ بینک آف پاکستان کے مطابق، پاکستان کا اشیاء کا تجارتی خسارہ مزید پھیلنے ہوئے 31.1 ملین امریکی ڈالر تک جا پہنچا۔ جو کہ گزشتہ مالی سال کی اسی قابل مدت کی نسبت تقریباً 5 ملین امریکی ڈالر سے زیادہ ہے۔

دریں اثاء افرادی ترسیلات کا حجم 19.6 ملین امریکی ڈالر تک درج کیا گیا، جو کہ گزشتہ مالی سال کے مقابلے میں 1.5 فیصد کی توانا افزودگی کو ظاہر کرتا ہے۔ برآمدات اور ترسیلات زراپے مثبت رجحان کے باوجود بیرونی محاذ پر پیش آنے والے دباؤ کے اثر کو زائل کرنے میں زیادہ مددگار ثابت نہیں ہوئے۔

پاکستان کا کرنٹ اکاؤنٹ کا خسارہ مالی سال جولائی - جون 2018 میں بڑھتے ہوئے جی ڈی پی (GDP) کا 5.7 فیصد تک جا پہنچا، جبکہ پچھلے سال اس کی شرح 4.1 فیصد تھی۔ چنانچہ، غیر ملکی زرمبادلہ کے حوالہ سے، پاکستانی روپیہ جون کے آغاز میں امریکی ڈالر کی نسبت 5.1 فیصد کی انحطاط پذیر ی کے ساتھ 115.60 روپے فی ڈالر کی سطح سے گرتا ہوا 121.55 روپے فی ڈالر تک پہنچ گیا۔

پاکستان کے زرمبادلہ کے ذخائر بھی مسلسل کمی کا شکار رہے اور سہ ماہی کے آغاز میں 17.8 ملین امریکی ڈالر کے حجم سے کم ہوئے 29 جون 2018ء تک 16.4 ملین امریکی ڈالر تک جا پہنچے، اس کمی کے بڑے عوامل میں بیرونی قرضوں اور دیگر سرکاری ادائیگیاں تھیں۔

تاہم یہ امر خوش آئند ہے کہ پاک چین اقتصادی راہداری کی اثرات نظر آنا شروع ہو رہے ہیں جن میں موجودہ آنا ٹی اور تعمیرات کے منصوبوں کے باعث وسطی مدت میں بہتر معاشی نمو متوقع ہے۔ پاکستان کی معاشی ترقی کی شرح، حکومتی اندازوں کی مطابق 5.8 فیصد رہی جو کہ مطلوبہ 6.0 فیصد کے ہدف سے معمولی طور پر کم ہے۔ سی پیک پاکستان کا خطہ میں ایک مضمتی ہب (HUB) کے تشخص کو اجاگر کرتے ہوئے بیرونی سرمایہ کاری کو بھی متوجہ کرنے میں معاون ثابت ہوگا۔ مال سال جولائی - جون 2018 کے دوران براہ راست غیر ملکی سرمایہ کاری کا حجم 2.8 ملین امریکی ڈالر رز با جو گزشتہ مالی سال جولائی - جون 2017 کی شرح کے برابر ہے۔

پاکستان کا صارف قیمتوں کے انڈکس کا افراط زر (CPI-Inflation) مارچ میں اختتام پذیر پچھلی سہ ماہی میں، سالانہ بنیاد پر، 3.26 فیصد کی شرح پر بند ہوا۔ تاہم ابھی حال ہی میں، جون میں (CPI) سی پی آئی افراط رکھانے پینے کی اشیاء، تیل اور خدمات کی قیمتوں میں اضافہ کی وجہ سے 5.21 فی صد کی شرح تک جا پہنچا۔ خالص افراط زر سالانہ بنیاد پر، 5.8 فیصد کی شرح سے بڑھتے ہوئے، 7.1 فیصد تک جا پہنچا۔ مزید براں، تجارتی خسارہ 6.5 فیصد تک پہنچنے کی توقع ہے جو گورنمنٹ کے مقررہ ہدف سے زیادہ ہے۔

اسٹیٹ بینک آف پاکستان نے مئی میں منعقدہ اینٹری پلیسی کمیٹی کی میٹنگ کے مطابق، شدید بیرونی دباؤ اور افراط زر کے باعث پلیسی ریٹ میں 50 بی پی ایس (BPS) کے اضافہ کا فیصلہ کیا جس کی شرح 6.50 فیصد مقرر کی گئی۔

جہاں تک پاکستانی اشاک مارکیٹ کا تعلق ہے کے ایس ای (KSE) 100 انڈیکس عام انتخابات کے انعقاد کا خضطر ہے جو کہ جولائی کے آخر میں متوقع ہیں۔ اس سہ ماہی کے آغاز میں کے ایس ای 100 انڈکس 45,560 پوائنٹس سے 8 فیصد کی کمی کے ساتھ 41,911 پوائنٹس پر بند ہوا۔

مختصر ایک کہ اگرچہ، یہ امر متوقع ہے کہ پاکستان کی معیشت میں مضبوطی اور نمو برقرار رہے گی تاہم تمام موثر اقدامات کی افادیت اور سیاسی استحکام اس راہ کو واضح کرے گا کہ اپنے عمومی فوائد کو اپنی استعداد کے مطابق حاصل کیا جاسکے۔ اسی اثاء میں بیرونی اور مالیاتی دباؤ سے متعلق خدشات پر بھی گہری نگاہ رکھنے کی ضرورت ہے۔

مستقبل کی پیش گوئی:

پاکستان مالی سال 2018 میں 5.8 فی صد کی جی ڈی پی (GDP) کی نمو حاصل کرنے کی توقع رکھتا ہے۔ جو کہ گزشتہ دس سال میں بلند ترین سطح ہے۔ اگلے مالی سال 2019 میں حکومت 6.2 فیصد کی شرح نمو کی توقع رکھتی ہے۔ یہ ہدف بظاہر اس سال کیلئے تھوڑا زیادہ محسوس ہوتا ہے تاہم یہ بینک سے جوئے منصوبوں میں متوقع تیزی، آنے والے سالوں میں بہتری جی ڈی پی (GDP) کی نمو کے حصول کے لیے زیادہ معاون ثابت ہوگی۔

توانائی کی رسد کی بحالی اور بہتری بھی حکومت ایک بنیادی ہدف ہے اور مستقبل قریب میں اعلانیہ ڈیڈ وئٹنگ کا خاتمہ بھی متوقع ہے۔ بحرحال پاکستان کو مالی ڈسٹن کو برقرار رکھنے کی ضرورت ہے اور حکومتی اخراجات اور ترقیاتی منصوبوں کے کئے جانے والے اخراجات پر کڑی نگاہ رکھنے کی ضرورت ہے۔ برآمدات کی مسابقت ہمیشہ سے ایک اہم معاملہ رہا ہے۔ اور اس امر کا متقاضی ہے کہ حکومت پیداوار میں اضافہ، لاگت میں کمی اور برآمدات کے شعبہ میں تنوع کیلئے ضروری اقدامات کرے۔ ڈالر کے مقابلے میں روپے کی قدر میں کمی کے باوجود، جو کہ بیرونی عدم توازن کو کسی حد تک بہتر بنانے کا باعث بنے گی، بیرونی طور پر ظاہر ہونے والے دباؤ پر نہایت باریک بینی سے توجہ رکھنے کی ضرورت ہے جو کہ زیادہ تر مالی تیل کی بروقت وصولی اور درآمدات میں کمی کے ذریعہ اپنے زرمبادلہ کے ذخائر کو بڑھانے سے حاصل ہوگی۔

حسین ینقر:

ایم سی بی بینک کے بورڈ آف ڈائریکٹرز، حکومت پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر انضباطی اداروں کی جاری معاونت کے لیے، بینک کے شیئر ہولڈرز اور صارفین کا انکے اعتماد کے لیے، اور اپنے ملازمین کا انکی مسلسل لگن اور خالص خدمات پر شہرہ یاد کرتے ہیں۔

مناخب و برائے بورڈ آف ڈائریکٹرز

عمران جمبول

پریذیڈنٹ اور سی ای او

ایم سی بی بینک لمیٹڈ

01 اگست 2018

نور حطام بن ہاشم

ڈائریکٹر

ایم سی بی بینک لمیٹڈ

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MCB Bank Limited ("the Bank") Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of the Bank as at 30 June 2018 and the related unconsolidated condensed interim statement of profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, unconsolidated condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures for the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarter ended 30 June 2018 have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditor's review report is M. Rehan Chughtai.

Lahore
Date: August 01, 2018

KPMG Taseer Hadi & Co.
Chartered Accountants

Unconsolidated Condensed Interim Statement of Financial Position As at June 30, 2018

| Note | Unaudited June 30, 2018 | Audited December 31, 2017 |
|------------------------------|-------------------------------|---------------------------------|
| ----- (Rupees in '000) ----- | | |
| Assets | | |
| | 120,974,989 | 106,072,084 |
| | 8,244,457 | 4,579,275 |
| 7 | 8,121,913 | 4,398,114 |
| 8 | 689,109,226 | 656,963,632 |
| 9 | 510,735,349 | 469,355,849 |
| 10 | 40,619,140 | 39,573,932 |
| | - | - |
| | 43,919,134 | 46,368,154 |
| | 1,421,724,208 | 1,327,311,040 |
| Liabilities | | |
| | 12,190,447 | 22,680,667 |
| 11 | 192,480,081 | 133,069,556 |
| 12 | 1,018,740,275 | 968,482,635 |
| 13 | 3,891,798 | 3,892,578 |
| | - | - |
| 14 | 3,097,012 | 4,625,035 |
| | 40,623,503 | 40,994,232 |
| | 1,271,023,116 | 1,173,744,703 |
| | 150,701,092 | 153,566,337 |
| Net assets | | |
| | 11,850,600 | 11,850,600 |
| | 72,472,162 | 70,866,473 |
| | 52,429,936 | 53,776,057 |
| | 136,752,698 | 136,493,130 |
| | 13,948,394 | 17,073,207 |
| | 150,701,092 | 153,566,337 |

Contingencies and commitments

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The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer
(Officiating)


Nor Hizam Bin Hashim
Director


Iqraa Hassan Mansha
Director


Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)
For the half year ended June 30, 2018

| | Quarter ended June 30, 2018 | Half year ended June 30, 2018 | Quarter ended June 30, 2017 | Half year ended June 30, 2017 |
|---|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Note | | | | |
| | ----- (Rupees in '000) ----- | | | |
| Mark-up / return / interest earned | 19,500,832 | 37,714,879 | 18,691,836 | 35,965,803 |
| Mark-up / return / interest expensed | 7,945,589 | 15,162,011 | 8,378,556 | 15,917,719 |
| Net mark-up / interest income | 11,555,243 | 22,552,868 | 10,313,280 | 20,048,084 |
| Provision / (reversal) against loans and advances - net | (1,112,731) | (1,426,630) | (1,190,099) | (1,947,008) |
| Provision / (reversal) for diminution in the value of investments - net | 195,973 | (220,207) | 710,117 | 587,107 |
| Bad debts written off directly | 23 | 23 | - | 14 |
| | (916,735) | (1,646,814) | (479,982) | (1,359,887) |
| Net mark-up / interest income after provisions | 12,471,978 | 24,199,682 | 10,793,262 | 21,407,971 |
| Non mark-up / interest income | | | | |
| Fee, commission and brokerage income | 2,523,790 | 5,145,150 | 2,442,237 | 4,637,928 |
| Dividend income | 394,182 | 557,993 | 446,050 | 800,383 |
| Income from dealing in foreign currencies | 500,722 | 921,646 | 413,977 | 697,144 |
| Gain on sale of securities - net | 382,867 | 1,167,244 | 1,006,377 | 3,283,619 |
| Unrealized gain/(loss) on revaluation of investments classified as held for trading | (21,252) | (25,591) | (9,325) | (43,202) |
| Other income | 185,728 | 497,780 | 197,004 | 304,561 |
| Total non mark-up / interest income | 3,966,037 | 8,264,222 | 4,496,320 | 9,680,433 |
| | 16,438,015 | 32,463,904 | 15,289,582 | 31,088,404 |
| Non mark-up / interest expenses | | | | |
| Administrative expenses | 7,530,093 | 16,764,913 | 6,286,192 | 12,384,962 |
| Other provision / (reversal) - net | 8,873 | (699,697) | 547,845 | 559,987 |
| Other charges | 205,623 | 398,906 | 202,808 | 417,874 |
| Total non mark-up / interest expenses | 7,744,589 | 16,464,122 | 7,036,845 | 13,362,823 |
| Profit before extra ordinary / unusual item and taxation | 8,693,426 | 15,999,782 | 8,252,737 | 17,725,581 |
| Extraordinary / unusual item | - | - | - | - |
| Profit before taxation | 8,693,426 | 15,999,782 | 8,252,737 | 17,725,581 |
| Taxation - current period | 3,066,486 | 5,658,154 | 2,812,285 | 6,146,267 |
| - prior years | - | - | (2,175,828) | (2,175,828) |
| - deferred | 640,964 | 578,512 | 73,600 | 65,806 |
| | 3,707,450 | 6,236,666 | 710,057 | 4,036,245 |
| Profit after taxation | 4,985,976 | 9,763,116 | 7,542,680 | 13,689,336 |
| | ----- (In Rupees) ----- | | | |
| Earnings per share - basic and diluted | 4.21 | 8.24 | 6.78 | 12.30 |

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.


 Imran Maqbool
 President / CEO


 Hammad Khalid
 Chief Financial Officer
 (Officiating)


 Nor Hizam Bin Hashim
 Director


 Iqraa Hassan Mansha
 Director


 Muhammad Ali Zeb
 Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the half year ended June 30, 2018

| | Quarter ended June 30, 2018 | Half year ended June 30, 2018 | Quarter ended June 30, 2017 | Half year ended June 30, 2017 |
|---|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | ----- (Rupees in '000) ----- | | | |
| Profit after tax for the period | 4,985,976 | 9,763,116 | 7,542,680 | 13,689,336 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit and loss account | | | | |
| Remeasurement of defined benefit plans - net of tax | (545,478) | (679,241) | (642,454) | (642,454) |
| Items that may be reclassified to profit and loss account | | | | |
| Effect of translation of net investment in foreign branches | 342,439 | 629,377 | (34,973) | (67,344) |
| Comprehensive income transferred to equity | 4,782,937 | 9,713,252 | 6,865,253 | 12,979,538 |
| Components of comprehensive income not reflected in equity | | | | |
| Net change in fair value of available for sale securities | (3,543,624) | (4,766,182) | (2,446,409) | (2,940,234) |
| Deferred tax | 1,240,269 | 1,668,164 | 856,242 | 1,029,081 |
| | (2,303,355) | (3,098,018) | (1,590,167) | (1,911,153) |
| Total comprehensive income for the period | 2,479,582 | 6,615,234 | 5,275,086 | 11,068,385 |

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.


 Imran Maqbool
 President / CEO


 Hammad Khalid
 Chief Financial Officer
 (Officiating)


 Nor Hizam Bin Hashim
 Director


 Iqraa Hassan Mansha
 Director


 Muhammad Ali Zeb
 Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited) For the half year ended June 30, 2018

Cash flows from operating activities

| | June 30, 2018 | June 30, 2017 |
|------------------------|------------------|------------------|
| Profit before taxation | 15,999,782 | 17,725,581 |
| Less: Dividend income | (557,993) | (800,383) |
| | 15,441,789 | 16,925,198 |

Adjustments for:

| | | |
|--|-------------|-------------|
| Depreciation | 1,038,047 | 788,178 |
| Amortization | 127,724 | 127,584 |
| Bad debts written off directly | 23 | 14 |
| Provision / (reversal) against loans and advances - net | (1,426,630) | (1,947,008) |
| Provision / (reversal) for diminution in the value of investments - net | (220,207) | 587,107 |
| Other provision / (reversal) - net | (699,697) | 559,987 |
| Provision for Workers' Welfare Fund | 319,996 | 354,512 |
| Charge / (reversal) for defined benefit plans | 1,953,336 | (53,968) |
| Unrealized loss on revaluation of investments classified as held for trading | 25,591 | 43,202 |
| Gain on sale of shares in associate | (247,677) | (685,593) |
| Gain on disposal of fixed assets - net | (67,079) | (9,050) |
| | 803,427 | (235,035) |
| | 16,245,216 | 16,690,163 |

(Increase) / decrease in operating assets

| | | |
|---|--------------|--------------|
| Lendings to financial institutions | (3,723,799) | (2,351,729) |
| Net investment in held for trading securities | (796,240) | (24,010,655) |
| Advances - net | (39,952,893) | (39,716,645) |
| Other assets - net | (685,618) | (583,469) |
| | (45,158,550) | (66,662,498) |

Increase / (decrease) in operating liabilities

| | | |
|-----------------------------|-------------|-------------|
| Bills payable | (9,276,010) | (222,361) |
| Borrowings | 59,562,108 | 158,108,521 |
| Deposits and other accounts | 72,175,966 | 110,120,764 |
| Other liabilities | 787,036 | (898,999) |
| | 123,249,100 | 267,107,925 |

| | | |
|-----------------------|-------------|-------------|
| Defined benefits paid | 94,335,766 | 217,135,590 |
| Income tax paid | (177,282) | (156,663) |
| | (5,255,349) | (8,480,674) |
| | 88,903,135 | 208,498,253 |

Net cash flows from operating activities

Cash flows from investing activities

| | | |
|--|--------------|---------------|
| Net investments in available-for-sale securities | (38,114,742) | (177,991,867) |
| Net investments in held-to-maturity securities | 3,346,052 | 4,171,394 |
| Dividend income received | 876,620 | 813,799 |
| Net cash outflow on demerger | (22,214,180) | - |
| Investment in subsidiary company | (1,200,000) | - |
| Proceeds from divestment in associate | 295,448 | 782,817 |
| Sale proceeds of property and equipment disposed off | 79,753 | 16,288 |
| Investment in operating fixed assets | (2,374,510) | (2,273,741) |
| | (59,305,559) | (174,481,310) |

Net cash flows from investing activities

Cash flows from financing activities

| | | |
|--------------------------------|--------------|-------------|
| Repayment of subordinated loan | (780) | - |
| Dividend paid | (10,783,824) | (8,713,361) |
| | (10,784,604) | (8,713,361) |

Net cash flows from financing activities

Exchange difference on translation of net investment in foreign branches

| | | |
|---|-------------|-------------|
| | 629,377 | (67,344) |
| | 19,442,349 | 25,236,238 |
| Cash and cash equivalents transferred to MIB under the scheme of demerger | (722,679) | - |
| Cash and cash equivalents at January 1 | 109,542,725 | 78,406,662 |
| Cash and cash equivalents at June 30 | 128,262,395 | 103,642,900 |

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer
(Officiating)


Nor Hizam Bin Hashim
Director


Iqraa Hassan Mansha
Director


Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the half year ended June 30, 2018

| | Capital Reserves | | | | Revenue Reserves | | |
|---|------------------|---------------|-----------------------------------|------------------------------|-------------------|-----------------|-----------------------|
| | Share capital | Share premium | Non-distributable capital reserve | Exchange translation reserve | Statutory reserve | General reserve | Unappropriated profit |
| | (Rupees in '000) | | | | | | |
| Balance as at December 31, 2016 | 11,130,307 | 9,702,528 | - | 167,174 | 24,877,159 | 18,600,000 | 53,469,072 |
| Change in equity for six months ended June 30, 2017 | | | | | | | |
| Total comprehensive income for the six months ended June 30, 2017 | | | | | | | |
| Profit after taxation for six months period ended June 30, 2017 | - | - | - | - | - | - | 13,689,336 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (642,454) |
| Exchange differences on translation of net investment in foreign branches | - | - | - | (67,344) | - | - | - |
| | - | - | - | (67,344) | - | - | 13,046,882 |
| Transactions with owners recognized directly in equity | | | | | | | |
| Final cash dividend at Rs. 4.0 per share - December 31, 2016 | - | - | - | - | - | - | (4,452,123) |
| Interim cash dividend at Rs. 4.0 per share - March 31, 2017 | - | - | - | - | - | - | (4,452,123) |
| | - | - | - | - | - | - | (8,904,246) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 26,796 |
| Transferred to statutory reserve | - | - | - | - | 1,368,934 | - | (1,368,934) |
| Balance as at June 30, 2017 | 11,130,307 | 9,702,528 | - | 99,830 | 26,246,093 | 18,600,000 | 56,269,570 |
| Change in equity for six months ended December 31, 2017 | | | | | | | |
| Total comprehensive income for the six months ended December 31, 2017 | | | | | | | |
| Profit after taxation for six months period ended December 31, 2017 | - | - | - | - | - | - | 8,769,565 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (932,437) |
| Exchange differences on translation of net investment in foreign branches | - | - | - | 384,163 | - | - | - |
| | - | - | - | 384,163 | - | - | 7,837,128 |
| Transactions with owners recognized directly in equity | | | | | | | |
| Interim cash dividend at Rs. 4.0 per share - June 30, 2017 | - | - | - | - | - | - | (4,740,240) |
| Interim cash dividend at Rs. 4.0 per share - September 30, 2017 | - | - | - | - | - | - | (4,740,240) |
| | - | - | - | - | - | - | (9,480,480) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 26,795 |
| Transferred to statutory reserve | - | - | - | - | 876,956 | - | (876,956) |
| Shares issued under amalgamation scheme | 720,293 | 14,048,586 | - | - | - | - | - |
| Gain on bargain purchase arising on amalgamation of NIB Bank Limited | - | - | 908,317 | - | - | - | - |
| Balance as at December 31, 2017 | 11,850,600 | 23,751,114 | 908,317 | 483,993 | 27,123,049 | 18,600,000 | 53,776,057 |
| Change in equity for six months ended June 30, 2018 | | | | | | | |
| Total comprehensive income for the six months ended June 30, 2018 | | | | | | | |
| Profit after taxation for six months period ended June 30, 2018 | - | - | - | - | - | - | 9,763,116 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (679,241) |
| Exchange differences on translation of net investment in foreign branches | - | - | - | 629,377 | - | - | - |
| | - | - | - | 629,377 | - | - | 9,083,875 |
| Transactions with owners recognized directly in equity | | | | | | | |
| Final cash dividend at Rs. 4.0 per share - December 31, 2017 | - | - | - | - | - | - | (4,740,240) |
| Interim cash dividend at Rs. 4.0 per share - March 31, 2018 | - | - | - | - | - | - | (4,740,240) |
| | - | - | - | - | - | - | (9,480,480) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 26,796 |
| Transferred to statutory reserve | - | - | - | - | 976,312 | - | (976,312) |
| Balance as at June 30, 2018 | 11,850,600 | 23,751,114 | 908,317 | 1,113,370 | 28,099,361 | 18,600,000 | 52,429,936 |

The annexed notes 1 to 26 form an integral part of these unconsolidated condensed interim financial statements.


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer
(Officiating)


Nor Hizam Bin Hashim
Director


Iqraa Hassan Mansha
Director


Muhammad Ali Zeb
Director

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

1 STATUS AND NATURE OF BUSINESS

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on Pakistan Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB - 15 Main Gulberg, Lahore. The Bank operates 1,349 branches (December 31, 2017: 1,433 branches) within Pakistan and 11 branches (December 31, 2017: 11 branches) outside the country (including the Karachi Export Processing Zone Branch).

1.1 Merger of NIB Bank Limited

Last year, the Bank completed the amalgamation of NIB Bank Limited with and into the Bank. This has been accounted for as disclosed in note 1.1 of the unconsolidated financial statements for the year ended December 31, 2017.

1.2 Demerger of 90 branches from MCB Bank Limited

The Board of Directors in their meeting held on October 25, 2017 had approved the "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and its wholly owned subsidiary MCB Islamic Bank Limited (MIB)". The Scheme envisages transfer of banking business of ninety (90) branches of the Bank subject to the approval by the shareholders of the banks and sanction by the Honourable Lahore High Court where under the assets, rights, liabilities, operations, systems, staff, assets of back office functions and obligations of the Bank relating to banking business of these branches will be transferred to and vested in MIB. The banking business of these branches will also stand converted into Islamic banking business on the effective date pursuant to the compliance of applicable regulatory permissions.

Both the banks filed a petition before the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under Section 279 to 283 and 285 read with other enabling provisions of the Companies Act, 2017. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on February 10, 2018. The Honourable Lahore High Court has sanctioned the Scheme on April 20, 2018. The business of these 90 branches have been transferred to MIB with effect from the Effective date i.e. close of the business on June 01, 2018.

Details of assets and liabilities transferred to MIB are as follows:

(Rupees in '000)

| | |
|-----------------------------|---------------------|
| Assets | |
| Cash in Hand | 722,679 |
| Operating fixed assets | 175,751 |
| Other assets | 59,788 |
| | 958,218 |
| Liabilities | |
| Bills payable | 1,214,210 |
| Deposits and other accounts | 21,918,326 |
| Other liabilities | 39,862 |
| | 23,172,398 |
| Net payable | (22,214,180) |

2 BASIS OF PRESENTATION

- 2.1 These financial statements represent unconsolidated condensed interim financial information of MCB Bank Limited. The consolidated condensed interim financial statements of the Group are being issued separately.
- 2.2 The disclosures made in these unconsolidated condensed interim financial statements have, however, been limited based on the format prescribed by the SBP vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for annual financial statements and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2017.
- 2.3 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.
- 2.4 For the purpose of translation, rate of Rs. 121.4972 per US Dollar (December 31, 2017: Rs.110.4172) has been used.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

3 STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
 - Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this unconsolidated condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars. Further, segment information is being disclosed in accordance with SBP's prescribed formats per BSD circular 4 dated February17, 2006 which prevails over the requirements specified in IFRS 8.

- 3.3 IFRS10 Consolidated Financial Statements was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the repealed Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of this standard have not been applied in the preparation of this unconsolidated condensed interim financial information to the extent of their applicability to these mutual funds.

4 BASIS OF MEASUREMENT

- 4.1 These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain classes of fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.
- 4.2 These unconsolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

- 5.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2017 except for the following:

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets was being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly the management has changed the accounting policy to bring accounting of revaluation surplus on fixed assets in accordance with IAS 16 "Property, plant and equipment". The management of the Bank believes that the impact of change in accounting policy is not material, therefore no adjustments are being made in these unconsolidated financial statements.

- 5.2 The financial risk management objectives and policies are consistent with those disclosed in the unconsolidated financial statements of the Bank for the year ended December 31, 2017.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for significant accounting estimates and judgments adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2017.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

7. LENDINGS TO FINANCIAL INSTITUTIONS

| | June 30, 2018 | December 31, 2017 |
|-------------------------------|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| Call money lendings | 6,878,473 | 3,779,086 |
| Repurchase agreement lendings | 1,243,440 | 619,028 |
| | 8,121,913 | 4,398,114 |

8. INVESTMENTS - NET

8.1 Investments by types

| | Note | Held by bank | Given as collateral | Total |
|---|------|------------------------------|------------------------|--------------------|
| | | ----- (Rupees in '000) ----- | | |
| Held-for-trading securities | | 824,959 | - | 824,959 |
| Available-for-sale securities | 8.2 | 498,422,462 | 150,633,859 | 649,056,321 |
| Held-to-maturity securities | | 29,908,805 | - | 29,908,805 |
| | | 529,156,226 | 150,633,859 | 679,790,085 |
| Associates | 8.3 | 700,401 | - | 700,401 |
| Subsidiaries | | 12,046,512 | - | 12,046,512 |
| | | 12,746,913 | - | 12,746,913 |
| Investments at cost | | 541,903,139 | 150,633,859 | 692,536,998 |
| Less: Provision for diminution in the value of investments | | (5,694,645) | - | (5,694,645) |
| Investments (net of provisions) | | 536,208,494 | 150,633,859 | 686,842,353 |
| Surplus / (deficit) on revaluation of available for sale securities - net | | 2,092,553 | 199,911 | 2,292,464 |
| Surplus / (deficit) on revaluation of held-for-trading securities - net | | (25,591) | - | (25,591) |
| Investments at revalued amounts - net of provisions | | 538,275,456 | 150,833,770 | 689,109,226 |

December 31, 2017

| | | Held by bank | Given as collateral | Total |
|---|-----|------------------------------|------------------------|--------------------|
| | | ----- (Rupees in '000) ----- | | |
| Held-for-trading securities | | 34,371 | - | 34,371 |
| Available-for-sale securities | 8.2 | 522,021,853 | 88,919,726 | 610,941,579 |
| Held-to-maturity securities | | 33,325,712 | - | 33,325,712 |
| | | 555,381,936 | 88,919,726 | 644,301,662 |
| Associates | 8.3 | 748,172 | - | 748,172 |
| Subsidiaries | | 10,846,512 | - | 10,846,512 |
| | | 11,594,684 | - | 11,594,684 |
| Investments at cost | | 566,976,620 | 88,919,726 | 655,896,346 |
| Less: Provision for diminution in the value of investments | | (5,985,708) | - | (5,985,708) |
| Investments (net of provisions) | | 560,990,912 | 88,919,726 | 649,910,638 |
| Surplus / (deficit) on revaluation of available for sale securities - net | | 7,083,091 | (24,445) | 7,058,646 |
| Surplus / (deficit) on revaluation of held-for-trading securities - net | | (5,652) | - | (5,652) |
| Investments at revalued amounts - net of provisions | | 568,068,351 | 88,895,281 | 656,963,632 |

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (December 31, 2017: Rs. 67.9 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5.0 million (December 31, 2017: Rs. 5.0 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

8.3 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 647.880 million (December 31, 2017: Rs. 695.651 million) as at June 30, 2018 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2018 amounted to Rs. 3,411.100 million (December 31, 2017: Rs. 3,906.139 million).

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

9. ADVANCES - NET

Loans, cash credits, running finances, etc
- In Pakistan
- Outside Pakistan

Net Investment in finance lease
- In Pakistan
- Outside Pakistan

Bills discounted and purchased (excluding treasury bills)
- Payable in Pakistan
- Payable outside Pakistan

Advances - gross

Less: Provision against loans and advances

- Specific provision
- General provision
- General provision against consumer loans & small enterprise loans
- General provision by overseas operations

Advances - net of provision

9.1 Advances include Rs. 47,131.011 million (December 31, 2017: Rs. 48,752.620 million) which have been placed under non-performing status as detailed below:

| | Note | June 30, 2018 | | | | |
|---|-------|--------------------------------|------------------|-------------------|-----------------------------------|-------------------------------|
| | | Classified Advances | | | Specific Provision Required | Specific Provision Held |
| Category of Classification | | Domestic | Overseas | Total | | |
| | | ----- (Rupees in '000) ----- | | | | |
| Other Assets Especially Mentioned (OAEM) | 9.1.1 | 127,060 | - | 127,060 | 7,057 | 7,057 |
| Substandard | | 349,104 | 171,231 | 520,335 | 128,710 | 128,710 |
| Doubtful | | 293,436 | 8,878 | 302,314 | 148,499 | 148,499 |
| Loss | | 39,682,120 | 6,499,182 | 46,181,302 | 42,827,027 | 42,827,027 |
| | | 40,451,720 | 6,679,291 | 47,131,011 | 43,111,293 | 43,111,293 |
| | | December 31, 2017 | | | | |
| | | Classified Advances | | | Specific Provision Required | Specific Provision Held |
| Category of Classification | | Domestic | Overseas | Total | | |
| | | ----- (Rupees in '000) ----- | | | | |
| Other Assets Especially Mentioned (OAEM) | 9.1.1 | 171,209 | - | 171,209 | 9,934 | 9,934 |
| Substandard | | 396,984 | 154,987 | 551,971 | 137,222 | 137,222 |
| Doubtful | | 218,714 | 344,151 | 562,865 | 281,432 | 281,432 |
| Loss | | 41,869,272 | 5,597,303 | 47,466,575 | 44,158,327 | 44,158,327 |
| | | 42,656,179 | 6,096,441 | 48,752,620 | 44,586,915 | 44,586,915 |

9.1.1 This represents non-performing portfolio of agricultural financing and advances to small enterprises classified as OAEM as per the requirements of the Prudential Regulations issued by the SBP.

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

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

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

9.4 General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries in which the overseas branches operate.

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

10. OPERATING FIXED ASSETS

Capital work-in-progress
Property and equipment
Intangible asset

| | June 30, 2018 | December 31, 2017 |
|--|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| | 1,269,235 | 935,158 |
| | 38,893,100 | 38,234,448 |
| | 456,805 | 404,326 |
| | <u>40,619,140</u> | <u>39,573,932</u> |

10.1. Additions and disposals during the period amounted to Rs.2,374.510 million (June 30, 2017: Rs. 2,273.741 million) and Rs. 188.426 million (June 30, 2017: Rs. 7.238 million), respectively.

11. BORROWINGS

In Pakistan
Outside Pakistan

| | June 30, 2018 | December 31, 2017 |
|--|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| | 188,307,983 | 126,988,022 |
| | 4,172,098 | 6,081,534 |
| | <u>192,480,081</u> | <u>133,069,556</u> |

11.1. Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan
Export refinance scheme
Long term financing facility
Refinance Facility for modernization of SME
Renewable energy performance platform
Financing facility for storage of agricultural produce

| | | |
|--|--------------------|--------------------|
| | 23,708,501 | 24,676,099 |
| | 13,693,257 | 12,797,076 |
| | 104,630 | 100,866 |
| | 29,479 | 3,680 |
| | 143,171 | 254,045 |
| | <u>37,679,038</u> | <u>37,831,766</u> |
| | 150,525,656 | 88,849,251 |
| | <u>188,204,694</u> | <u>126,681,017</u> |

Unsecured

Borrowings from other financial institutions
Call borrowings
Foreign borrowings payable in local currency
Overdrawn nostro accounts

| | | |
|--|--------------------|--------------------|
| | 1,151,346 | 1,831,801 |
| | 2,004,704 | 3,285,818 |
| | 162,286 | 162,286 |
| | 957,051 | 1,108,634 |
| | <u>4,275,387</u> | <u>6,388,539</u> |
| | <u>192,480,081</u> | <u>133,069,556</u> |

12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits
Savings deposits
Current accounts
Margin accounts

| | | |
|--|--------------------|--------------------|
| | 72,087,065 | 66,914,022 |
| | 536,259,851 | 513,309,328 |
| | 380,146,448 | 356,577,624 |
| | 9,240,444 | 9,970,532 |
| | <u>997,733,808</u> | <u>946,771,506</u> |

Financial institutions

Remunerative deposits
Non-remunerative deposits

| | | |
|--|----------------------|--------------------|
| | 10,782,144 | 11,175,786 |
| | 10,224,323 | 10,535,343 |
| | 21,006,467 | 21,711,129 |
| | <u>1,018,740,275</u> | <u>968,482,635</u> |

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

13. SUB-ORDINATED LOANS

Term Finance Certificates - Listed, Unsecured

Mark-up

Floating (no floor, no cap) rate of return at Base Rate +1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR")).

Security

The TFCs are unsecured and subordinated to all other indebtedness of the Bank including deposits.

Issue Date

June 19, 2014

Issue Amount

Rs. 4,198.035 million

Rating

AAA (triple A)

Tenor

8 years from the Issue Date

Redemption

Fifteen equal semi-annual installments of 0.02% of the Issue Amount for the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month.

Maturity

June 19, 2022

Call Option

The Bank may call the TFCs, in part or full, on any profit payment date from the 60th month from the last day of public subscription and on all subsequent profit payment dates, subject to the SBP approval and not less than forty five days prior notice being given to the Trustee and the Investors.

Lock-in- Clause

Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Banks' Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR and CAR. In case the lock-in clause goes into effect, the Bank will be required to comply with the SBP instructions prevalent or issued at the time.

Loss Absorbency Clause

The TFCs will be subject to loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".

14. DEFERRED TAX LIABILITY / (ASSET) - NET

The details of the tax effect of taxable and deductible temporary differences are as follows:

Taxable temporary differences on:

Surplus on revaluation of operating fixed assets
Surplus on revaluation of Non-banking assets
Accelerated tax depreciation
Receivable from pension fund
Business combination
Surplus / deficit on revaluation of securities

| | June 30, 2018 | December 31, 2017 |
|--|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| | 1,010,803 | 1,025,234 |
| | 75,273 | 75,273 |
| | 1,506,119 | 1,534,613 |
| | 1,062,228 | 2,096,688 |
| | 705,218 | 705,218 |
| | 802,362 | 2,470,526 |
| | <u>5,162,003</u> | <u>7,907,552</u> |
| | (2,064,991) | (3,282,517) |
| | <u>3,097,012</u> | <u>4,625,035</u> |

Deductible temporary differences on:

Provision for bad debts

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring

- Government
- Banks and financial institutions
- Others

| | | |
|--|--------------------|-------------------|
| | 102,281,050 | 73,747,315 |
| | 5,543,586 | 5,345,816 |
| | <u>6,447,366</u> | <u>6,226,506</u> |
| | <u>114,272,002</u> | <u>85,319,637</u> |

15.2 Transaction-related contingent liabilities

Guarantees in favour of:

- Government
- Banks and financial institutions
- Others
- Suppliers credit / payee guarantee

| | | |
|--|--------------------|--------------------|
| | 31,862,519 | 28,536,667 |
| | 86,381 | 80,377 |
| | 18,325,686 | 16,788,987 |
| | 2,407,107 | 1,992,913 |
| | <u>52,681,693</u> | <u>47,398,944</u> |
| | <u>158,575,779</u> | <u>143,773,637</u> |

15.3 Trade-related contingent liabilities

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

15.4 Other contingencies

Claims against the Bank not acknowledged as debts

| June 30, 2018 | December 31, 2017 |
|------------------------------|----------------------|
| ----- (Rupees in '000) ----- | |
| 10,894,398 | 5,938,071 |

These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote and accordingly no provision has been made in these unconsolidated condensed interim financial statements.

15.5 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

15.6 Commitments in respect of forward foreign exchange contracts

| | June 30, 2018 | December 31, 2017 |
|------------------------------|------------------|----------------------|
| ----- (Rupees in '000) ----- | | |
| Purchase | 114,308,434 | 85,101,993 |
| Sale | 95,740,660 | 75,210,455 |
| | 398,797 | 96,399 |

15.7 Commitments for the acquisition of fixed assets

15.8 Other commitments

FX options (notional amount)

| | | |
|--|-----------|-----------|
| Purchase | 983,759 | 865,718 |
| Sale | 983,759 | 865,718 |
| Cross Currency Swaps (Notional) | 6,648,899 | 3,232,144 |
| Interest Rate Swaps (Notional) | 316,500 | 316,500 |
| Outright purchase of Government Securities | 3,000,000 | 7,000,000 |
| Outright sale of Government Securities | 600,000 | - |

15.9 Taxation

For assessment year 1988-89 through tax year 2017, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 3,094 million (2017: Rs. 3,656 million). Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

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

The income tax returns of Ex-NIB Bank Limited have been filed up to and including tax year 2017 relevant to the financial year ended December 31, 2016. The tax authorities have made certain disallowances pertaining to tax years 2003 through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC), from tax years 2004 through 2008 for Ex-PICIC Commercial Bank Limited (Ex-PCBL), tax years 2003 and 2004 for Ex-National Development Leasing Corporation Limited (Ex-NDLC) and from tax years 2004 through 2008 for NIB Bank Limited. During the year ended 2013, a combined Appellate Order for Ex-PICIC pertaining to tax years 2003 through 2007 was issued by Commissioner Inland Revenue (Appeals) – CIR(A) in which the aforementioned expenses were allowed. However, the tax authorities have filed appeal with Income Tax Appellate Tribunal (ITAT) against above combined Appellate Order. Furthermore, tax authorities have also made certain disallowances in respect of tax years 2009, 2010, 2011, 2012 and 2013 which are pending at various appellate forums.

16. BASEL III LIQUIDITY REQUIREMENT

16.1. Liquidity Coverage Ratio

| | June 30, 2018 | December 31, 2017 |
|------------------------------|------------------|----------------------|
| ----- (Rupees in '000) ----- | | |
| High quality liquid assets | 612,421,411 | 608,139,885 |
| Net cash outflows | 339,230,172 | 313,260,304 |
| Liquidity Coverage ratio (%) | 180.53% | 194.13% |

Notes to the Unconsolidated Condensed Interim Financial Statements(Un-audited) For the half year ended June 30, 2018

16.2. Net Stable Funding Ratio

Available stable funding
Required stable funding

| June 30, 2018 | December 31, 2017 |
|------------------------------|----------------------|
| ----- (Rupees in '000) ----- | |
| 869,520,182 | 814,278,652 |
| 702,826,766 | 632,207,998 |
| 123.72% | 128.80% |

Net Stable Funding Ratio (%)

17. GAIN ON SALE OF SECURITIES - NET

Federal Government Securities
-Market Treasury Bills
-Pakistan Investment Bonds
Listed Shares

| Half year ended | |
|----------------------------|------------------|
| June 30, 2018 | June 30, 2017 |
| ---- (Rupees in '000) ---- | |
| 21,357 | 1,683 |
| 92,131 | 17,307 |
| 1,053,756 | 3,264,629 |
| 1,167,244 | 3,283,619 |

18. ADMINISTRATIVE EXPENSES

Pursuant to the order of the Honorable Supreme Court of Pakistan, the Bank has recorded past service cost of Rs. 1,903.117 million (one-off provision) on account of pension liability based on actuarial valuation.

19. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

Profit after taxation

| Half year ended | |
|----------------------------|------------------|
| June 30, 2018 | June 30, 2017 |
| ---- (Rupees in '000) ---- | |
| 9,763,116 | 13,689,336 |
| (Number of shares) | |
| 1,185,060,006 | 1,113,030,748 |
| (Rupees) | |
| 8.24 | 12.30 |

Weighted average number of shares outstanding during the period

Basic and diluted Earnings per share - after tax

20. CREDIT RATING

PACRA through its notification dated June 27, 2018, has maintained bank's long term credit rating of AAA [triple A] and short-term credit rating of A1+ [A one plus].

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates and subsidiaries is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short term in nature or, in the case of customer loans and deposits, are frequently repriced.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

| | | Fair Value | | | | | | | |
|--|--|-----------------------------|--------------------|----------|--------------------|-------------------|--------------------|----------|--------------------|
| | | June 30, 2018 | | | December 31, 2017 | | | | |
| | | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | | ------(Rupees in '000)----- | | | | | | | |
| On balance sheet financial instruments | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| Held for trading securities | | | | | | | | | |
| - Shares in listed companies | | 160,596 | - | - | 160,596 | 23,745 | - | - | 23,745 |
| - Market Treasury Bills | | - | 638,772 | - | 638,772 | - | 4,974 | - | 4,974 |
| | | 160,596 | 638,772 | - | 799,368 | 23,745 | 4,974 | - | 28,719 |
| Available-for-sale securities | | | | | | | | | |
| - Market Treasury Bills | | - | 451,391,768 | - | 451,391,768 | - | 384,269,158 | - | 384,269,158 |
| - Pakistan Investment Bonds | | - | 173,549,460 | - | 173,549,460 | - | 205,771,813 | - | 205,771,813 |
| - Shares in listed companies & REIT | | 18,742,196 | - | - | 18,742,196 | 19,137,625 | - | - | 19,137,625 |
| - NIT units | | 8,168 | - | - | 8,168 | 7,805 | - | - | 7,805 |
| - Units in open end mutual funds | | 292,635 | - | - | 292,635 | 555,479 | - | - | 555,479 |
| - Sukuks | | - | 697,500 | - | 697,500 | - | 743,043 | - | 743,043 |
| - Term Finance Certificates (TFCs) | | - | 105,345 | - | 105,345 | - | 612,857 | - | 612,857 |
| | | 19,042,999 | 625,744,073 | - | 644,787,072 | 19,700,909 | 591,396,871 | - | 611,097,780 |
| Non - Financial Assets measured at fair value | | | | | | | | | |
| Operating fixed assets (land and buildings) | | - | 33,108,108 | - | 33,108,108 | - | 32,414,791 | - | 32,414,791 |
| Non-banking assets | | - | 4,540,715 | - | 4,540,715 | - | 4,310,611 | - | 4,310,611 |
| Off balance sheet financial instruments | | | | | | | | | |
| FX options purchase and sale | | - | 1,967,518 | - | 1,967,518 | - | 1,731,436 | - | 1,731,436 |
| Cross currency swaps | | - | 6,685,547 | - | 6,685,547 | - | 3,247,345 | - | 3,247,345 |
| Interest Rate Swaps | | - | 314,597 | - | 314,597 | - | 311,792 | - | 311,792 |
| Foreign exchange contracts purchase and sale | | - | 209,963,834 | - | 209,963,834 | - | 160,838,104 | - | 160,838,104 |

The Bank's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options, Cross Currency Swaps and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

Valuation techniques and inputs used in determination of fair values within level 2

| Item | Valuation techniques and input used |
|--|--|
| Fully paid-up ordinary shares | Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange. |
| Units of mutual funds | Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day. |
| Pakistan Investment Bonds / Market Treasury Bills | Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page). |
| Term Finance and Bonds | Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. |
| Foreign exchange contracts | The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan. |
| Derivatives | The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc. |
| Operating fixed assets (land and building), Non Banking Assets | Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties. |

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

22 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

| | Half year ended June 30, 2018 | | | | | |
|---|-------------------------------|--------------------|---------------------------|--------------------|---------------------------|----------------------|
| | Corporate Finance | Trading and Sales | Retail & Consumer Banking | Commercial Banking | Inter segment elimination | Total |
| | ------(Rupees in '000)----- | | | | | |
| Total income | 29,538 | 5,869,131 | 19,510,053 | 5,408,368 | - | 30,817,090 |
| Total expenses | (16,127) | (1,119,120) | (12,849,079) | (832,982) | - | (14,817,308) |
| Income tax expense | - | - | - | - | - | (6,236,666) |
| Net income | 13,411 | 4,750,011 | 6,660,974 | 4,575,386 | - | 9,763,116 |
| Segment assets - (Gross of NPLs Provisions) | 136,892 | 788,718,031 | 1,106,688,726 | 496,690,393 | (940,440,117) | 1,451,793,925 |
| Advance taxation (payment less provision) | - | - | - | - | - | 13,041,576 |
| Total assets | 136,892 | 788,718,031 | 1,106,688,726 | 496,690,393 | (940,440,117) | 1,464,835,501 |
| Segment non performing loans | - | - | 12,676,067 | 34,454,944 | - | 47,131,011 |
| Segment specific provision required | - | - | 11,978,801 | 31,132,492 | - | 43,111,293 |
| Segment liabilities | 19,581 | 744,865,369 | 1,055,366,947 | 408,114,324 | (940,440,117) | 1,267,926,104 |
| Deferred tax liabilities - net | - | - | - | - | - | 3,097,012 |
| Total liabilities - net | 19,581 | 744,865,369 | 1,055,366,947 | 408,114,324 | (940,440,117) | 1,271,023,116 |
| Segment return on assets (ROA) (%) | 43.16% | 1.49% | 3.56% | 2.32% | - | - |
| Segment cost of fund (%) | - | 6.07% | 3.73% | 5.84% | - | - |

| | Half year ended June 30, 2017 | | | | | |
|--|-------------------------------|-------------|--------------|-------------|---------------|---------------|
| | (Rupees in '000) | | | | | |
| Total income | 122,985 | 9,571,689 | 17,046,340 | 2,987,503 | - | 29,728,517 |
| Total expenses | (30,176) | (1,500,603) | (10,109,999) | (362,158) | - | (12,002,936) |
| Income tax expense | - | - | - | - | - | (4,036,245) |
| Net income | 92,809 | 8,071,086 | 6,936,341 | 2,625,345 | - | 13,689,336 |
| Segment assets - (Gross of NPLs provision) | 787,312 | 854,129,047 | 959,600,994 | 316,177,259 | (803,711,282) | 1,326,983,330 |
| Advance taxation (payment less provision) | - | - | - | - | - | 10,750,628 |
| Total assets | 787,312 | 854,129,047 | 959,600,994 | 316,177,259 | (803,711,282) | 1,337,733,958 |
| Segment non performing loans | - | - | 6,573,007 | 15,904,787 | - | 22,477,794 |
| Segment specific provision required | - | - | 6,552,721 | 10,171,410 | - | 16,724,131 |
| Segment liabilities | 107,748 | 781,583,134 | 902,286,338 | 286,915,150 | (803,711,282) | 1,167,181,088 |
| Deferred tax liabilities - net | - | - | - | - | - | 10,037,973 |
| Total liabilities - net | 107,748 | 781,583,134 | 902,286,338 | 286,915,150 | (803,711,282) | 1,177,219,061 |
| Segment return on assets (ROA) (%) | 31.24% | 2.24% | 3.58% | 1.95% | - | - |
| Segment cost of fund (%) | - | 5.66% | 3.26% | 5.51% | - | - |

Total income = Net markup income + non-markup income
Total expenses = Non Mark up expenses + Provisions
Segment assets and liabilities include inter segment balances.
Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates.
Segment cost of funds have been computed based on the average balances.

23 RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its associates, subsidiaries, companies with common directorship, employee benefit plans and its directors and key management personnel and their close family members. Investments in subsidiary companies and associates are given in note 8 to these unconsolidated condensed interim financial statements for the six months period ended June 30, 2018.

The Bank enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties and balances with them as at the period-end were as follows:

| | Directors | | Associates | | Subsidiary Companies | | Other Related Parties | | Key Management | |
|--|--------------------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | Six months ended June 30, 2018 | Year ended Dec 31, 2017 | Six months ended June 30, 2018 | Year ended Dec 31, 2017 | Six months ended June 30, 2018 | Year ended Dec 31, 2017 | Six months ended June 30, 2018 | Year ended Dec 31, 2017 | Six months ended June 30, 2018 | Year ended Dec 31, 2017 |
| A Balances | | | | | | | | | | |
| Deposits | | | | | | | | | | |
| Opening balance | 3,953,730 | 2,642,067 | 2,744,432 | 2,568,584 | 51,048 | 38,668 | 3,800,959 | 5,852,008 | 148,080 | 105,761 |
| Received during the period / year | 1,565,360 | 3,686,510 | 8,759,257 | 37,478,917 | 646,531 | 1,632,422 | 27,863,683 | 60,751,429 | 469,093 | 751,440 |
| Withdrawn during the period / year | (2,010,653) | (2,274,847) | (9,422,702) | (37,303,069) | (635,055) | (1,620,242) | (25,991,155) | (62,808,478) | (442,704) | (709,121) |
| Closing balance | 3,508,437 | 3,953,730 | 2,060,987 | 2,744,432 | 62,524 | 51,048 | 5,673,487 | 3,800,959 | 174,469 | 148,080 |
| Advances | | | | | | | | | | |
| Opening balance | - | 195 | - | - | 293,837 | 276,349 | 2,322,334 | 262,113 | 82,348 | 84,787 |
| Additions / adjustments during the period / year | - | - | - | - | 27,158 | 296,337 | 3,611,521 | 4,491,988 | 36,506 | 10,536 |
| Repaid / adjustments during the period / year | - | (195) | - | - | - | (278,849) | (4,376,981) | (2,431,167) | (8,929) | (12,975) |
| Closing balance | - | - | - | - | 320,995 | 293,837 | 1,557,474 | 2,322,934 | 109,925 | 82,348 |
| Lendings to Financial Institutions | | | | | | | | | | |
| Opening balance | - | - | - | - | 524,590 | - | - | - | - | - |
| Additions / adjustments during the period / year | - | - | - | - | 27,461,260 | 21,687,308 | - | - | - | - |
| Repaid / adjustments during the period / year | - | - | - | - | (23,533,598) | (21,162,718) | - | - | - | - |
| Closing balance | - | - | - | - | 4,452,252 | 524,590 | - | - | - | - |
| Borrowings | | | | | | | | | | |
| Opening balance | - | - | - | - | - | - | 993,755 | 936,786 | - | - |
| Additions / adjustments during the period / year | - | - | - | - | - | - | - | 1,356,967 | - | - |
| Repaid / adjustments during the period / year | - | - | - | - | - | - | (264,772) | (1,300,000) | - | - |
| Closing balance | - | - | - | - | - | - | 728,983 | 993,755 | - | - |
| Other Balances | | | | | | | | | | |
| Outstanding balance of credit cards | 1,045 | 946 | - | - | - | - | 1,268 | 1,674 | 1,942 | 1,819 |
| Receivable from Pension Fund | - | - | - | - | - | - | 3,034,941 | 5,990,537 | - | - |
| Commitments and contingent liabilities - outstanding | - | - | 8,337 | 9,840 | - | - | 3,349,952 | 976,586 | - | - |
| Forward purchase of government securities | - | - | - | - | - | - | 2,500,000 | - | - | - |
| Forward foreign exchange contracts (Notional) - outstanding | - | - | - | - | 2,009,141 | 577,292 | - | 17,562,997 | - | - |
| Unrealized gain / (loss) on forward foreign exchange contracts - outstanding | - | - | - | - | (29,665) | (6,072) | - | 68,442 | - | - |
| Overdrawn nostro balance | - | - | - | - | 6,744 | 39,993 | - | - | - | - |
| Trade payable | - | - | 39,101 | 39,730 | - | - | - | - | - | - |
| Markup payable | 15,689 | 12,586 | 11,774 | 8,063 | 169 | 144 | 28,754 | 22,553 | 464 | 113 |
| Other payable | 1,002 | 5,401 | 1,947 | 37 | 24,158 | 20,415 | 756 | 559 | - | - |
| Other advances | - | - | 876 | 3,199 | - | - | 27,929 | 27,929 | - | - |
| Markup receivable | - | - | - | - | 23,138 | 9,604 | 23,083 | 14,958 | 2,177 | 589 |
| Other receivable | - | - | - | 557 | 26,482 | 16,202 | 540 | 1,620 | - | - |
| Commission receivable | - | - | 98,300 | 48,253 | 2,472 | 2,565 | - | - | - | - |
| Advance received against sale of property | - | - | - | - | 20,000 | 20,000 | - | - | - | - |



Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

B. Transactions during the period

| | Directors | | Associates | | Subsidiary Companies | | Other Related Parties | | Key Management | |
|---|---------------|---------------|---------------|---------------|----------------------|---------------|-----------------------|---------------|----------------|---------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| Transactions during the period | | | | | | | | | | |
| Investment made during the period | - | - | - | - | 1,200,000 | - | - | - | - | - |
| Payment against scheme of demerger | - | - | 356,503 | 351,023 | 22,214,180 | - | - | - | - | - |
| Insurance premium-net of refund | - | - | 196,563 | 7,474 | - | - | - | - | - | - |
| Insurance claim settled | 38 | 2 | - | - | 79,567 | 41,742 | 38,835 | 9,037 | 4,706 | 3,789 |
| Markup income on advances and lendings | - | - | - | - | - | - | 57,476,979 | 24,618,814 | - | - |
| Forward exchange contracts matured during the period | - | - | - | - | - | - | 286,156 | 101,038 | - | - |
| Gain / (loss) on forward foreign exchange contracts matured during the period | - | - | - | - | - | - | 6,800 | 16,320 | - | - |
| Dividend income | - | - | 70,000 | 189,755 | - | 55,435 | 2,992 | 3,790 | - | - |
| Commission income | - | - | 560,633 | 505,509 | 17,951 | 77,945 | 1,620 | 1,620 | - | - |
| Rent income and reimbursement of other expenses | - | - | 1,838 | 1,671 | 12,835 | 5,791 | - | - | - | - |
| Outsourcing service expenses | - | - | 106,359 | 73,925 | - | - | - | - | - | - |
| Sale of foreign currency | - | - | - | - | 7,444,956 | 4,701,548 | - | - | - | - |
| Purchase of foreign currency | - | - | - | - | 4,587,727 | 1,767,536 | - | - | - | - |
| Proceeds from sale of fixed assets | 1,999 | - | - | - | - | - | - | - | 3,149 | 3 |
| Gain / (loss) on sale of fixed assets | - | - | - | - | - | - | 38,843 | 25,192 | 23 | 3 |
| Cash sorting expenses | - | - | - | - | - | - | 122,592 | 87,756 | - | - |
| Stationary expenses | - | - | - | - | - | - | 204,546 | 194,711 | - | - |
| Security guards expenses | - | - | - | - | - | - | - | - | - | - |
| Remuneration and non-executive directors fee | - | - | - | - | - | - | - | - | 283,076 | 280,173 |
| Mark-up expense | 87,883 | 81,140 | 42,053 | 34,969 | 764 | 303 | 97,644 | 77,669 | 729 | 909 |
| Clearing expenses paid to NIFT | 82,674 | 48,231 | - | - | - | - | 78,554 | 62,318 | - | - |
| Contribution to provident fund | - | - | - | - | - | - | 179,089 | 135,432 | - | - |
| Rent and other expenses | - | - | - | 907 | 4,320 | 3,927 | 27,403 | 26,774 | - | - |
| Sale of government securities | - | - | 2,349,879 | 4,408,586 | - | - | 168,382,343 | 6,812,188 | 20,375 | - |
| Purchase of government securities | - | - | 2,544,892 | 3,413,026 | - | - | 172,064,634 | 5,765,748 | 19,993 | - |
| Gain / (loss) on sale of government securities | - | - | 51 | 26 | - | - | 40,168 | 114 | 0.2 | - |
| Miscellaneous expenses and payments | - | - | - | - | 468,814 | 12,439 | 37,481 | 18,129 | - | - |

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



Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018



Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

24 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- No significant reclassifications have been made in these unconsolidated condensed interim financial statements.

25 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on August 01, 2018 has announced cash dividend in respect of the half year ended June 30, 2018 of Rs. 4.00 per share (June 30, 2017: Rs. 4.00 per share). These unconsolidated condensed interim financial statements for the half year ended June 30, 2018 do not include the effect of this appropriation which will be accounted for subsequent to the period end.

26 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 01, 2018.

| | | | | |
|---|---|---|--|---|
|  |  |  |  |  |
| Imran Maqbool President / CEO | Hammad Khalid Chief Financial Officer (Officiating) | Nor Hizam Bin Hashim Director | Iqraa Hassan Mansha Director | Muhammad Ali Zeb Director |



MCB BANK LIMITED

(Consolidated Condensed Interim Financial Statements for the six months period ended June 30, 2018)

Consolidated Condensed Interim Statement of Financial Position
As at June 30, 2018

| Note | Unaudited June 30, 2018 | Audited December 31, 2017 |
|---|-------------------------------|---------------------------------|
| ----- (Rupees in '000) ----- | | |
| Assets | | |
| Cash and balances with treasury banks | 126,844,228 | 109,462,902 |
| Balances with other banks | 8,823,045 | 7,348,882 |
| Lendings to financial institutions | 7 3,669,661 | 5,273,524 |
| Investments - net | 8 694,209,087 | 660,070,246 |
| Advances - net | 9 563,944,222 | 500,965,801 |
| Operating fixed assets | 10 44,000,437 | 42,565,448 |
| Deferred tax assets - net | - | - |
| Other assets - net | 45,612,630 | 47,743,647 |
| | 1,487,103,310 | 1,373,430,450 |
| Liabilities | | |
| Bills payable | 13,732,930 | 22,994,877 |
| Borrowings | 11 199,253,913 | 140,462,138 |
| Deposits and other accounts | 12 1,070,340,797 | 1,001,146,162 |
| Sub-ordinated loan | 13 3,891,798 | 3,892,578 |
| Liabilities against assets subject to finance lease | - | - |
| Deferred tax liabilities - net | 14 3,895,876 | 5,661,073 |
| Other liabilities | 42,567,715 | 42,730,541 |
| | 1,333,683,029 | 1,216,887,369 |
| Net assets | 153,420,281 | 156,543,081 |
| Represented by | | |
| Share capital | 11,850,600 | 11,850,600 |
| Reserves | 72,656,342 | 71,027,912 |
| Unappropriated profit | 53,536,374 | 55,221,069 |
| Total equity attributable to the equity holders of the Bank | 138,043,316 | 138,099,581 |
| Non-controlling interest | 627,789 | 580,656 |
| | 138,671,105 | 138,680,237 |
| Surplus on revaluation of assets - net of tax | 14,749,176 | 17,862,844 |
| | 153,420,281 | 156,543,081 |

Contingencies and commitments

15

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer
(Officiating)


Nor Hizam Bin Hashim
Director


Iqraa Hassan Mansha
Director


Muhammad Ali Zeb
Director

Consolidated Condensed Interim Profit and Loss Account (Un-audited)
For the half year ended June 30, 2018

| Note | Quarter ended June 30, 2018 | Half year ended June 30, 2018 | Quarter ended June 30, 2017 | Half year ended June 30, 2017 |
|---|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| ----- (Rupees in '000) ----- | | | | |
| Mark-up / return / interest earned | 20,325,617 | 39,272,450 | 19,127,530 | 36,797,243 |
| Mark-up / return / interest expensed | 8,406,405 | 16,013,533 | 8,576,949 | 16,266,568 |
| Net mark-up / interest income | 11,919,212 | 23,258,917 | 10,550,581 | 20,530,675 |
| Provision / (reversal) against loans and advances - net | (1,110,372) | (1,423,744) | (1,185,509) | (1,940,509) |
| Provision / (reversal) for diminution in the value of investments - net | 443,513 | 27,333 | 710,117 | 587,107 |
| Bad debts written off directly | 23 | 23 | - | 14 |
| | (666,836) | (1,396,388) | (475,392) | (1,353,388) |
| Net mark-up / interest income after provisions | 12,586,048 | 24,655,305 | 11,025,973 | 21,884,063 |
| Non mark-up / interest income | | | | |
| Fee, commission and brokerage income | 2,770,351 | 5,588,161 | 2,597,709 | 4,953,644 |
| Dividend income | 353,945 | 530,382 | 304,757 | 614,852 |
| Income from dealing in foreign currencies | 548,205 | 1,000,385 | 424,062 | 721,722 |
| Gain on sale of securities - net | 402,148 | 987,053 | 1,159,465 | 3,246,977 |
| Unrealized gain/(loss) on revaluation of investments classified as held for trading | (19,631) | (13,363) | (18,937) | (42,620) |
| Other income | 192,506 | 514,274 | 206,643 | 328,182 |
| Total non mark-up / interest income | 4,247,524 | 8,606,892 | 4,673,699 | 9,822,757 |
| | 16,833,572 | 33,262,197 | 15,699,672 | 31,706,820 |
| Non mark-up / interest expenses | | | | |
| Administrative expenses | 8,379,946 | 18,227,015 | 6,780,478 | 13,400,981 |
| Other provision / (reversal) - net | 8,873 | (699,600) | 547,845 | 559,987 |
| Other charges | 206,773 | 400,906 | 204,915 | 422,328 |
| Total non mark-up / interest expenses | 8,595,592 | 17,928,321 | 7,533,238 | 14,383,296 |
| | 8,237,980 | 15,333,876 | 8,166,434 | 17,323,524 |
| Share of profit of associates | 157,835 | 357,513 | 161,336 | 355,202 |
| Profit before extra ordinary / unusual item and taxation | 8,395,815 | 15,691,389 | 8,327,770 | 17,678,726 |
| Extraordinary / unusual item | - | - | - | - |
| Profit before taxation | 8,395,815 | 15,691,389 | 8,327,770 | 17,678,726 |
| Taxation - current period | 3,095,571 | 5,718,536 | 2,849,052 | 6,209,140 |
| - prior years | - | - | (2,175,828) | (2,175,828) |
| - deferred | 465,816 | 348,141 | (85,471) | (33,217) |
| Share of tax of associates | 74,624 | 153,490 | 58,206 | 67,128 |
| | 3,636,011 | 6,220,167 | 645,959 | 4,067,223 |
| Profit after taxation | 4,759,804 | 9,471,222 | 7,681,811 | 13,611,503 |
| Profit attributable to non-controlling interest | (36,894) | (47,553) | (23,951) | (56,268) |
| Profit attributable to equity shareholders of the Bank | 4,722,910 | 9,423,669 | 7,657,860 | 13,555,235 |
| ----- (In Rupees) ----- | | | | |
| Earnings per share - basic and diluted | 18 3.99 | 7.95 | 6.88 | 12.18 |

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer
(Officiating)


Nor Hizam Bin Hashim
Director


Iqraa Hassan Mansha
Director


Muhammad Ali Zeb
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended June 30, 2018

| | Quarter ended June 30, 2018 | Half year ended June 30, 2018 | Quarter ended June 30, 2017 | Half year ended June 30, 2017 |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| ------(Rupees in '000)----- | | | | |
| Profit after tax for the period | 4,759,804 | 9,471,222 | 7,681,811 | 13,611,503 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit and loss account | | | | |
| Remeasurement of defined benefit plans - net of tax | (545,478) | (679,241) | (642,454) | (642,454) |
| Items that may be reclassified to profit and loss account | | | | |
| Effect of translation of net investment in foreign branches and subsidiaries | | | | |
| - Equity shareholders of the Bank | 354,204 | 650,544 | (31,015) | (61,499) |
| - Non-controlling interest | 6 | 31 | 13 | 413 |
| | 354,210 | 650,575 | (31,002) | (61,086) |
| Share of exchange translation reserve of associate | 4,479 | 1,574 | (846) | (21,181) |
| Comprehensive income transferred to equity | 4,573,015 | 9,444,130 | 7,007,509 | 12,886,782 |
| Components of comprehensive income not reflected in equity | | | | |
| Net change in fair value of available for sale securities | (3,364,198) | (4,586,756) | (2,625,621) | (3,145,715) |
| Deferred tax | 1,182,149 | 1,610,044 | 910,455 | 1,090,608 |
| | (2,182,049) | (2,976,712) | (1,715,166) | (2,055,107) |
| Total comprehensive income for the period | 2,390,966 | 6,467,418 | 5,292,343 | 10,831,675 |

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.



Imran Maqbool
President / CEO



Hammad Khalid
Chief Financial Officer
(Officiating)



Nor Hizam Bin Hashim
Director



Iqraa Hassan Mansha
Director



Muhammad Ali Zeb
Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2018

| | June 30, 2018 | June 30, 2017 |
|---|--------------------|--------------------|
| ----- (Rupees in '000) ----- | | |
| Cash flows from operating activities | | |
| Profit before taxation | 15,691,389 | 17,678,726 |
| Less: Dividend income & share of profit of associates | (887,895) | (970,054) |
| | 14,803,494 | 16,708,672 |
| Adjustments for: | | |
| Depreciation | 1,142,690 | 839,305 |
| Amortization | 174,933 | 139,372 |
| Bad debts written off directly | 23 | 14 |
| Provision / (reversal) against loans and advances - net | (1,423,744) | (1,940,509) |
| Provision / (reversal) for diminution in the value of investments - net | 27,333 | 587,107 |
| Other provision / (reversal) - net | (699,600) | 559,987 |
| Provision for Workers' Welfare Fund | 321,996 | 354,512 |
| Charge / (reversal) for defined benefit plans | 1,953,336 | (53,968) |
| Unrealized loss on revaluation of investments classified as held for trading | 13,363 | 42,620 |
| Gain on sale of shares in associate | (51,360) | (286,706) |
| Gain on disposal of fixed assets - net | (67,079) | (9,050) |
| | 1,391,891 | 232,684 |
| | 16,195,385 | 16,941,356 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | 1,603,863 | 8,925 |
| Net investment in held for trading securities | (875,733) | (24,088,623) |
| Advances - net | (61,554,700) | (48,546,414) |
| Other assets - net | (961,470) | (788,961) |
| | (61,788,040) | (73,415,073) |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | (9,261,947) | (339,861) |
| Borrowings | 58,910,320 | 161,021,334 |
| Deposits and other accounts | 69,194,635 | 118,558,835 |
| Other liabilities | 953,077 | (703,050) |
| | 119,796,085 | 278,537,258 |
| | 74,203,430 | 222,063,541 |
| Defined benefits paid | (177,282) | (156,663) |
| Income tax paid | (5,302,446) | (8,471,388) |
| | 68,723,702 | 213,435,490 |
| Net cash flows from operating activities | | |
| Cash flows from investing activities | | |
| Net investments in available-for-sale securities | (41,630,509) | (180,074,330) |
| Net investments in held-to-maturity securities | 3,461,051 | 4,171,394 |
| Dividend income received | 919,009 | 818,023 |
| Proceeds from divestment in associate | 295,448 | 782,816 |
| Sale proceeds of property and equipment disposed off | 79,754 | 16,288 |
| Investment in operating fixed assets | (2,740,392) | (2,630,381) |
| | (39,615,639) | (176,916,190) |
| Net cash flows from investing activities | | |
| Cash flows from financing activities | | |
| Repayment of subordinated loan | (780) | - |
| Dividend paid | (10,783,824) | (8,765,926) |
| | (10,784,604) | (8,765,926) |
| Net cash flows from financing activities | | |
| Exchange difference on translation of net investment in foreign branches & subsidiaries | 650,575 | (61,086) |
| Increase in cash and cash equivalents | 18,974,034 | 27,692,288 |
| Cash and cash equivalents at January 1 | 115,745,241 | 82,777,787 |
| Cash and cash equivalents at June 30 | 134,719,275 | 110,470,075 |

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.



Imran Maqbool
President / CEO



Hammad Khalid
Chief Financial Officer
(Officiating)



Nor Hizam Bin Hashim
Director



Iqraa Hassan Mansha
Director



Muhammad Ali Zeb
Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the half year ended June 30, 2018

| | Capital Reserves | | | | Revenue Reserves | | | Non-controlling interest | Total | |
|---|------------------|---------------|-----------------------------------|------------------------------|-------------------|-----------------|-----------------------|--------------------------|----------|-------------|
| | Share capital | Share premium | Non-distributable capital reserve | Exchange translation reserve | Statutory reserve | General reserve | Unappropriated profit | | | Total |
| | | | | | | | | | | |
| (Rupees in'000) | | | | | | | | | | |
| Balance as at December 31, 2016 | 11,130,307 | 9,924,438 | - | 84,593 | 24,903,602 | 18,600,000 | 55,509,013 | 120,151,953 | 509,331 | 120,661,284 |
| Change in equity for six months ended June 30, 2017 | | | | | | | | | | |
| Total comprehensive income for the six months ended June 30, 2017 | | | | | | | | | | |
| Profit after taxation for six months period ended June 30, 2017 | - | - | - | - | - | - | 13,555,235 | 13,555,235 | 56,268 | 13,611,503 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (642,454) | (642,454) | - | (642,454) |
| Share of exchange translation reserve of associate | - | - | - | (21,181) | - | - | - | (21,181) | - | (21,181) |
| Exchange differences on translation of net investment in foreign branches & subsidiaries | - | - | - | (61,499) | - | - | - | (61,499) | 413 | (61,086) |
| | - | - | - | (82,680) | - | - | 12,912,781 | 12,830,101 | 56,681 | 12,886,782 |
| Transactions with owners recognized directly in equity | | | | | | | | | | |
| Final cash dividend at Rs. 4.0 per share - December 31, 2016 | - | - | - | - | - | - | (4,452,123) | (4,452,123) | - | (4,452,123) |
| Interim cash dividend at Rs. 4.0 per share - March 31, 2017 | - | - | - | - | - | - | (4,452,123) | (4,452,123) | - | (4,452,123) |
| | - | - | - | - | - | - | (8,904,246) | (8,904,246) | - | (8,904,246) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 27,446 | 27,446 | - | 27,446 |
| Share of dividend attributable to Non-controlling interest | - | - | - | - | - | - | - | - | (52,565) | (52,565) |
| Transferred to statutory reserve | - | - | - | - | 1,374,878 | - | (1,374,878) | - | - | - |
| Balance as at June 30, 2017 | 11,130,307 | 9,924,438 | - | 1,913 | 26,278,480 | 18,600,000 | 58,170,116 | 124,105,254 | 513,447 | 124,618,701 |
| Change in equity for six months ended December 31, 2017 | | | | | | | | | | |
| Total comprehensive income for the six months ended December 31, 2017 | | | | | | | | | | |
| Profit after taxation for six months period ended December 31, 2017 | - | - | - | - | - | - | 8,407,911 | 8,407,911 | 28,350 | 8,436,261 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (932,300) | (932,300) | - | (932,300) |
| Share of exchange translation reserve of associate | - | - | - | 945 | - | - | - | 945 | - | 945 |
| Exchange differences on translation of net investment in foreign branches & subsidiaries | - | - | - | 394,221 | - | - | - | 394,221 | 29 | 394,250 |
| | - | - | - | 395,166 | - | - | 7,475,611 | 7,870,777 | 28,379 | 7,899,156 |
| Transactions with owners recognized directly in equity | | | | | | | | | | |
| Interim cash dividend at Rs. 4.0 per share - June 30, 2017 | - | - | - | - | - | - | (4,740,240) | (4,740,240) | - | (4,740,240) |
| Interim cash dividend at Rs. 4.0 per share - September 30, 2017 | - | - | - | - | - | - | (4,740,240) | (4,740,240) | - | (4,740,240) |
| | - | - | - | - | - | - | (9,480,480) | (9,480,480) | - | (9,480,480) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 26,990 | 26,990 | - | 26,990 |
| Share of dividend attributable to Non-controlling interest | - | - | - | - | - | - | - | - | (61,326) | (61,326) |
| Adjustment in Non-controlling interest | - | - | - | - | - | - | (100,156) | (100,156) | 100,156 | - |
| Transferred to statutory reserve | - | - | - | - | 871,012 | - | (871,012) | - | - | - |
| Shares issued under amalgamation scheme | 720,293 | 14,048,586 | - | - | - | - | - | 14,768,879 | - | 14,768,879 |
| Gain on bargain purchase arising on amalgamation of NIB Bank Limited | - | - | 908,317 | - | - | - | - | 908,317 | - | 908,317 |
| Balance as at December 31, 2017 | 11,850,600 | 23,973,024 | 908,317 | 397,079 | 27,149,492 | 18,600,000 | 55,221,069 | 138,099,581 | 580,656 | 138,680,237 |
| Change in equity for six months ended June 30, 2018 | | | | | | | | | | |
| Total comprehensive income for the six months ended June 30, 2018 | | | | | | | | | | |
| Profit after taxation for six months period ended June 30, 2018 | - | - | - | - | - | - | 9,423,669 | 9,423,669 | 47,553 | 9,471,222 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (679,241) | (679,241) | - | (679,241) |
| Share of exchange translation reserve of associate | - | - | - | 1,574 | - | - | - | 1,574 | - | 1,574 |
| Exchange differences on translation of net investment in foreign branches & subsidiaries | - | - | - | 650,544 | - | - | - | 650,544 | 31 | 650,575 |
| | - | - | - | 652,118 | - | - | 8,744,428 | 9,396,546 | 47,584 | 9,444,130 |
| Transactions with owners recognized directly in equity | | | | | | | | | | |
| Final cash dividend at Rs. 4.0 per share - December 31, 2017 | - | - | - | - | - | - | (4,740,240) | (4,740,240) | - | (4,740,240) |
| Interim cash dividend at Rs. 4.0 per share - March 31, 2018 | - | - | - | - | - | - | (4,740,240) | (4,740,240) | - | (4,740,240) |
| | - | - | - | - | - | - | (9,480,480) | (9,480,480) | - | (9,480,480) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 27,218 | 27,218 | - | 27,218 |
| Adjustment in Non-controlling interest | - | - | - | - | - | - | 451 | 451 | (451) | - |
| Transferred to statutory reserve | - | - | - | - | 976,312 | - | (976,312) | - | - | - |
| Balance as at June 30, 2018 | 11,850,600 | 23,973,024 | 908,317 | 1,049,197 | 28,125,804 | 18,600,000 | 53,536,374 | 138,043,316 | 627,789 | 138,671,105 |

The annexed notes 1 to 26 form an integral part of these consolidated condensed interim financial statements.



Imran Maqbool
President / CEO



Hammad Khalid
Chief Financial Officer
(Officiating)



Nor Hizam Bin Hashim
Director



Iqraa Hassan Mansha
Director



Muhammad Ali Zeb
Director

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company
- MCB Bank Limited

"Percentage holding of
MCB Bank Limited"

Subsidiary Companies

- MCB Financial Services Limited
- MNET Services (Private) Limited
- MCB - Arif Habib Savings and Investments Limited
- "MCB Leasing" Closed Joint Stock Company
- MCB Islamic Bank Limited
- Financial Management Services (Private) Limited

99.99%
99.95%
51.329%
99.94%
100.00%
95.90%

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on Pakistan Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB - 15 Main Gulberg, Lahore. The Bank operates 1,349 branches (December 31, 2017: 1,433 branches) within Pakistan and 11 branches (December 31, 2017: 11 branches) outside the country (including the Karachi Export Processing Zone Branch).

1.1 Merger of NIB Bank Limited

Last year, the MCB Bank completed the amalgamation of NIB Bank Limited with and into the Bank. This has been accounted for as disclosed in note 1.1 of the consolidated financial statements for the year ended December 31, 2017.

1.2 Demerger of 90 branches from MCB Bank Limited

The Board of Directors in their meeting held on October 25, 2017 had approved the "Scheme of Compromises, Arrangements and Reconstruction (the "Scheme") between the Bank and its wholly owned subsidiary MCB Islamic Bank Limited (MIB)". The Scheme envisages transfer of banking business of ninety (90) branches of the Bank subject to the approval by the shareholders of the banks and sanction by the Honourable Lahore High Court where under the assets, rights, liabilities, operations, systems, staff, assets of back office functions and obligations of the Bank relating to banking business of these branches will be transferred to and vested in MIB. The banking business of these branches will also stand converted into Islamic banking business on the effective date pursuant to the compliance of applicable regulatory permissions.

Both the banks filed a petition before the Honourable Lahore High Court for sanction of, and for other orders facilitating implementation of the Scheme under Section 279 to 283 and 285 read with other enabling provisions of the Companies Act, 2017. The shareholders approved the Scheme in the Extra Ordinary General Meeting (EOGM) held on February 10, 2018. The Honourable Lahore High Court has sanctioned the Scheme on April 20, 2018. The business of these 90 branches have been transferred to MIB with effect from the Effective date i.e. close of the business on June 01, 2018.

Details of assets and liabilities transferred to MIB are as follows:

Assets

Cash in Hand
Operating fixed assets
Other assets

(Rupees in '000)

722,679
175,751
59,788

958,218

Liabilities

Bills payable
Deposits and other accounts
Other liabilities

1,214,210
21,918,326
39,862

23,172,398

(22,214,180)

Net settled amount

2 BASIS OF PRESENTATION

2.1 These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies.

a. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the financial statements for the period ended June 30, 2018 and the carrying value of investments held by the Group is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.

b. Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost, thereafter adjusted for the post-acquisition change in the Group's share of net assets of the associates. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associates have been accounted for based on the financial statements for the period ended June 30, 2018.

c. Non-controlling interest is that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

2.2 The disclosures made in these consolidated condensed interim financial statements have, however, been limited based on the format prescribed by the SBP vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for annual financial statements and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2017.

2.3 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.

2.4 The financial results of the Group's Islamic Banking business have been consolidated in these financial statements for reporting purposes, after eliminating material inter-group transactions / balances. Key financial figures of the Islamic Banking business are disclosed in note 23 to these consolidated condensed interim financial statements.

2.5 For the purpose of translation, rate of Rs. 121.4972 per US Dollar (December 31, 2017: Rs.110.4172) has been used.

3 STATEMENT OF COMPLIANCE

3.1 These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this consolidated condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars. Further, segment information is being disclosed in accordance with SBP's prescribed formats per BSD circular 4 dated February 17, 2006 which prevails over the requirements specified in IFRS 8.

3.3 IFRS10 Consolidated Financial Statements was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the repealed Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of this standard have not been applied in the preparation of these consolidated condensed interim financial statements to the extent of their applicability to these mutual funds.

4 BASIS OF MEASUREMENT

4.1 These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain classes of fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.

4.2 These consolidated condensed interim financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

5.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2017 except for the following:

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets was being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly the management has changed the accounting policy to bring accounting of revaluation surplus on fixed assets in accordance with IAS 16 "Property, plant and equipment". The management of the Bank believes that the impact of change in accounting policy is not material, therefore no adjustments are being made in these consolidated financial statements.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

5.2 The financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements of the Group for the year ended December 31, 2017.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for significant accounting estimates and judgments adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2017.

7. LENDINGS TO FINANCIAL INSTITUTIONS

| | June 30, 2018 | December 31, 2017 |
|--|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| Call money lendings | 2,426,221 | 3,254,496 |
| Repurchase agreement lendings | 1,243,440 | 619,028 |
| Other lendings to financial institutions | - | 1,400,000 |
| | 3,669,661 | 5,273,524 |

| | Note | Held by bank | Given as collateral | Total |
|---|------|----------------------------|------------------------|--------------------|
| | | ----- Rupees in '000 ----- | | |
| 8. INVESTMENTS - NET | | | | |
| 8.1 Investments by types | | | | |
| Held-for-trading securities | | 1,297,925 | - | 1,297,925 |
| Available-for-sale securities | 8.2 | 511,092,664 | 150,633,859 | 661,726,523 |
| Held-to-maturity securities | | 30,828,806 | - | 30,828,806 |
| | | 543,219,395 | 150,633,859 | 693,853,254 |
| Associates | | | | |
| - Adamjee Insurance Company Limited | 8.3 | 4,109,626 | - | 4,109,626 |
| - Euronet Pakistan (Private) Limited | 8.4 | 67,714 | - | 67,714 |
| | | 4,177,340 | - | 4,177,340 |
| Investments at cost | | 547,396,735 | 150,633,859 | 698,030,594 |
| | | (5,941,460) | - | (5,941,460) |
| Less: Provision for diminution in the value of investments | | | | |
| Investments (net of provisions) | | 541,455,275 | 150,633,859 | 692,089,134 |
| Surplus / (deficit) on revaluation of available for sale securities - net | | 1,933,405 | 199,911 | 2,133,316 |
| Surplus / (deficit) on revaluation of held-for-trading securities - net | | (13,363) | - | (13,363) |
| Investments at revalued amounts - net of provisions | | 543,375,317 | 150,833,770 | 694,209,087 |
| | | December 31, 2017 | | |
| | | Held by bank | Given as collateral | Total |
| | | ----- Rupees in '000 ----- | | |
| Held-for-trading securities | | 422,464 | - | 422,464 |
| Available-for-sale securities | 8.2 | 531,176,288 | 88,919,726 | 620,096,014 |
| Held-to-maturity securities | | 34,360,712 | - | 34,360,712 |
| | | 565,959,464 | 88,919,726 | 654,879,190 |
| Associates | | | | |
| - Adamjee Insurance Company Limited | 8.3 | 4,385,602 | - | 4,385,602 |
| - Euronet Pakistan (Private) Limited | 8.4 | 70,637 | - | 70,637 |
| | | 4,456,239 | - | 4,456,239 |
| Investments at cost | | 570,415,703 | 88,919,726 | 659,335,429 |
| | | (5,984,983) | - | (5,984,983) |
| Less: Provision for diminution in the value of investments | | | | |
| Investments (net of provisions) | | 564,430,720 | 88,919,726 | 653,350,446 |
| Surplus / (deficit) on revaluation of available for sale securities - net | | 6,744,517 | (24,445) | 6,720,072 |
| Surplus / (deficit) on revaluation of held-for-trading securities - net | | (272) | - | (272) |
| Investments at revalued amounts - net of provisions | | 571,174,965 | 88,895,281 | 660,070,246 |

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (December 31, 2017: Rs. 67.9 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5.0 million (December 31, 2017: Rs. 5.0 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

8.3 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2018 amounted to Rs. 3,411.100 million (December 31, 2017: Rs. 3,906.139 million).

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

Investment in Adamjee Insurance Company Limited under equity method - holding 20.00% (December 31, 2017: 21.47%)

| | June 30, 2018 ----- (Rupees in '000) ----- | December 31, 2017 |
|--|--|----------------------|
| Opening balance | 4,385,602 | 5,375,158 |
| Share of profit for the period / year before tax | 354,800 | 426,892 |
| Dividend from associate | (70,000) | (302,497) |
| Share of tax | (147,854) | (119,142) |
| | 136,946 | 5,253 |
| Share of other comprehensive income | (111,758) | (335,698) |
| Disposal during the period / year | (301,164) | (659,111) |
| Closing balance | 4,109,626 | 4,385,602 |
| 8.3.1 Share of other comprehensive income | | |
| Share of unrealized surplus on assets - net of tax | (119,947) | (329,756) |
| Share of exchange translation reserve of associate | 8,189 | (5,942) |
| | (111,758) | (335,698) |

8.4 Investment of the Group in Euronet Pakistan Private Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

Investment in Euronet Pakistan Private Limited under equity method - holding 30%

| | June 30, 2018 ----- (Rupees in '000) ----- | December 31, 2017 |
|--|--|----------------------|
| Opening balance | 70,637 | 72,357 |
| Share of profit for the period / year before tax | 2,713 | 6,227 |
| Share of tax | (5,636) | (7,947) |
| Closing balance | (2,923) | (1,720) |
| | 67,714 | 70,637 |

9. ADVANCES - NET

| | | |
|---|--------------------|--------------------|
| Loans, cash credits, running finances, etc | | |
| - In Pakistan | 504,982,962 | 463,689,530 |
| - Outside Pakistan | 25,716,597 | 24,537,474 |
| | 530,699,559 | 488,227,004 |
| Islamic Financing and related assets | 52,985,829 | 31,474,154 |
| Net Investment in finance lease | | |
| - In Pakistan | 4,505,261 | 4,176,737 |
| - Outside Pakistan | 644,668 | 525,309 |
| | 5,149,929 | 4,702,046 |
| Bills discounted and purchased (excluding treasury bills) | | |
| - Payable in Pakistan | 6,625,157 | 7,197,552 |
| - Payable outside Pakistan | 12,826,888 | 15,070,945 |
| | 19,452,045 | 22,268,497 |
| Advances - gross | 608,287,362 | 546,671,701 |
| Less: Provision against loans and advances | | |
| - Specific provision | 9.1 (43,112,022) | (44,587,644) |
| - General provision | 9.2 (561,231) | (504,172) |
| - General provision against consumer loans & small enterprise loans | 9.3 (532,232) | (533,795) |
| - General provision by overseas operations | 9.4 (137,655) | (80,289) |
| | (44,343,140) | (45,705,900) |
| Advances - net of provision | 563,944,222 | 500,965,801 |

Note
June 30, 2018
----- (Rupees in '000) -----

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

9.1 Advances include Rs. 47,131.740 million (December 31, 2017: Rs. 48,753.349 million) which have been placed under non-performing status as detailed below:

| Note | | June 30, 2018 | | | | |
|---|-------|---------------------|-----------|------------|-----------------------------------|-------------------------------|
| | | Classified Advances | | | Specific Provision Required | Specific Provision Held |
| Category of Classification | | Domestic | Overseas | Total | | |
| ----- (Rupees in '000) ----- | | | | | | |
| Other Assets Especially Mentioned (OAEM) | 9.1.1 | 127,060 | - | 127,060 | 7,057 | 7,057 |
| Substandard | | 349,104 | 171,231 | 520,335 | 128,710 | 128,710 |
| Doubtful | | 293,436 | 8,878 | 302,314 | 148,499 | 148,499 |
| Loss | | 39,682,849 | 6,499,182 | 46,182,031 | 42,827,756 | 42,827,756 |
| | | 40,452,449 | 6,679,291 | 47,131,740 | 43,112,022 | 43,112,022 |
| December 31, 2017 | | | | | | |
| Category of Classification | | Classified Advances | | | Specific Provision Required | Specific Provision Held |
| | | Domestic | Overseas | Total | | |
| ----- (Rupees in '000) ----- | | | | | | |
| Other Assets Especially Mentioned (OAEM) | 9.1.1 | 171,209 | - | 171,209 | 9,934 | 9,934 |
| Substandard | | 396,984 | 154,987 | 551,971 | 137,222 | 137,222 |
| Doubtful | | 218,714 | 344,151 | 562,865 | 281,432 | 281,432 |
| Loss | | 41,870,001 | 5,597,303 | 47,467,304 | 44,159,056 | 44,159,056 |
| | | 42,656,908 | 6,096,441 | 48,753,349 | 44,587,644 | 44,587,644 |

9.1.1 This represents non-performing portfolio of agricultural financing and advances to small enterprises classified as OAEM as per the requirements of the Prudential Regulations issued by the SBP.

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

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

9.4 General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries in which the overseas branches operate.

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

| | June 30, 2018 ----- (Rupees in '000) ----- | December 31, 2017 |
|-----------------------------------|--|----------------------|
| 10. OPERATING FIXED ASSETS | | |
| Capital work-in-progress | 1,629,760 | 1,159,870 |
| Property and equipment | 41,074,831 | 40,232,017 |
| Intangible asset | 1,295,846 | 1,173,561 |
| | 44,000,437 | 42,565,448 |

10.1. Additions and disposals during the period amounted to Rs.2,740.392 million (June 30, 2017: Rs. 2,630.381 million) and Rs. 12.675 million (June 30, 2017: Rs. 7.238 million), respectively.

11. BORROWINGS

| | June 30, 2018 ----- (Rupees in '000) ----- | December 31, 2017 |
|------------------|--|----------------------|
| In Pakistan | 195,090,868 | 134,348,131 |
| Outside Pakistan | 4,163,045 | 6,114,007 |
| | 199,253,913 | 140,462,138 |

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

| | June 30, 2018 | December 31, 2017 |
|--|---|----------------------|
| | ----- (Rupees in '000) ----- | |
| 11.1. Details of borrowings (secured / unsecured) | | |
| Secured | | |
| Borrowings from State Bank of Pakistan | 24,955,501 | 25,683,299 |
| Export refinance scheme | 13,693,257 | 12,797,076 |
| Long term financing facility | 104,630 | 100,866 |
| Refinance Facility for modernization of SME | 29,479 | 3,680 |
| Renewable energy performance platform | 143,171 | 254,045 |
| Financing facility for storage of agricultural produce | 38,926,038 | 38,838,966 |
| Repurchase agreement borrowings | 150,525,656 | 88,849,251 |
| | 189,451,694 | 127,688,217 |
| Unsecured | | |
| Borrowings from other financial institutions | 6,687,231 | 8,259,274 |
| Call borrowings | 2,004,704 | 3,285,818 |
| Foreign borrowings payable in local currency | 162,286 | 162,286 |
| Overdrawn nostro accounts | 947,998 | 1,066,543 |
| | 9,802,219 | 12,773,921 |
| | 199,253,913 | 140,462,138 |
| 12. DEPOSITS AND OTHER ACCOUNTS | | |
| Customers | | |
| Fixed deposits | 74,460,021 | 71,555,175 |
| Savings deposits | 561,053,299 | 527,071,726 |
| Current accounts | 401,418,200 | 365,274,018 |
| Margin accounts | 9,486,014 | 10,115,015 |
| | 1,046,417,534 | 974,015,934 |
| Financial institutions | | |
| Remunerative deposits | 13,630,592 | 16,534,020 |
| Non-remunerative deposits | 10,292,671 | 10,596,208 |
| | 23,923,263 | 27,130,228 |
| | 1,070,340,797 | 1,001,146,162 |
| 13. SUB-ORDINATED LOANS | | |
| Term Finance Certificates - Listed, Unsecured | | |
| | 3,891,798 | 3,892,578 |
| Mark-up | Floating (no floor, no cap) rate of return at Base Rate +1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR")). | |
| Security | The TFCs are unsecured and subordinated to all other indebtedness of the Bank including deposits. | |
| Issue Date | June 19, 2014 | |
| Issue Amount | Rs. 4,198.035 million | |
| Rating | AAA (triple A) | |
| Tenor | 8 years from the Issue Date | |
| Redemption | Fifteen equal semi-annual installments of 0.02% of the Issue Amount for the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month. | |
| Maturity | June 19, 2022 | |
| Call Option | The Bank may call the TFCs, in part or full, on any profit payment date from the 60th month from the last day of public subscription and on all subsequent profit payment dates, subject to the SBP approval and not less than forty five days prior notice being given to the Trustee and the Investors. | |
| Lock-in- Clause | Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Banks' Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR and CAR. In case the lock-in clause goes into effect, the Bank will be required to comply with the SBP instructions prevalent or issued at the time. | |
| Loss Absorbency Clause | The TFCs will be subject to loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan". | |

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

| | June 30, 2018 | December 31, 2017 |
|---|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| 14. DEFERRED TAX LIABILITY / (ASSET) - NET | | |
| The details of the tax effect of taxable and deductible temporary differences are as follows: | | |
| Taxable temporary differences on: | | |
| Surplus on revaluation of operating fixed assets | 1,036,848 | 1,051,507 |
| Surplus on revaluation of Non-banking assets | 75,273 | 75,273 |
| Accelerated tax depreciation | 1,683,014 | 1,704,905 |
| Receivable from pension fund | 1,062,228 | 2,096,688 |
| Business combination | 705,218 | 705,218 |
| Investments in associated undertaking | 1,211,611 | 1,291,483 |
| Surplus / deficit on revaluation of securities | 650,673 | 2,260,717 |
| | 6,424,865 | 9,185,791 |
| Deductible temporary differences on: | | |
| Provision for bad debts | (2,064,991) | (3,282,517) |
| Taxable losses | (409,595) | (209,657) |
| Provision for post retirement benefits | (201) | (201) |
| Others | (54,202) | (32,343) |
| | (2,528,989) | (3,524,718) |
| | 3,895,876 | 5,661,073 |
| 15. CONTINGENCIES AND COMMITMENTS | | |
| 15.1 Direct credit substitutes | | |
| Contingent liabilities in respect of guarantees given favouring | | |
| - Government | 102,281,050 | 75,282,524 |
| - Banks and financial institutions | 5,543,586 | 5,345,816 |
| - Others | 6,447,366 | 6,960,826 |
| | 114,272,002 | 87,589,166 |
| 15.2 Transaction-related contingent liabilities | | |
| Guarantees in favour of: | | |
| - Government | 34,262,492 | 28,536,667 |
| - Banks and financial institutions | 86,381 | 80,377 |
| - Others | 19,038,217 | 16,788,987 |
| - Suppliers credit / payee guarantee | 2,407,107 | 1,992,913 |
| | 55,794,197 | 47,398,944 |
| | 166,659,312 | 149,495,964 |
| 15.3 Trade-related contingent liabilities | | |
| 15.4 Other contingencies | | |
| Claims against the Bank not acknowledged as debts | 11,320,218 | 5,938,071 |
| These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote and accordingly no provision has been made in these consolidated condensed interim financial statements. | | |
| 15.5 Commitments to extend credit | | |
| The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn. | | |
| 15.6 Commitments in respect of forward foreign exchange contracts | | |
| Purchase | 116,997,177 | 85,637,860 |
| Sale | 96,221,484 | 75,559,527 |
| | 431,750 | 150,868 |
| 15.7 Commitments for the acquisition of fixed assets | | |
| 15.8 Other commitments | | |
| FX options (notional amount) | | |
| Purchase | 983,759 | 865,718 |
| Sale | 983,759 | 865,718 |
| Cross Currency Swaps (Notional) | 6,648,899 | 3,232,144 |
| Interest Rate Swaps (Notional) | 316,500 | 316,500 |
| Outright purchase of Government Securities | 3,000,000 | 7,000,000 |
| Outright sale of Government Securities | 600,000 | - |

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

15.9 Taxation

For assessment year 1988-89 through tax year 2017, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 3,094 million (2017: Rs. 3,656 million). Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

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

The income tax returns of Ex-NIB Bank Limited have been filed up to and including tax year 2017 relevant to the financial year ended December 31, 2016. The tax authorities have made certain disallowances pertaining to tax years 2003 through 2008 for Ex-Pakistan Industrial Credit and Investment Corporation Limited (Ex-PICIC), from tax years 2004 through 2008 for Ex-PICIC Commercial Bank Limited (Ex-PCBL), tax years 2003 and 2004 for Ex-National Development Leasing Corporation Limited (Ex-NDLC) and from tax years 2004 through 2008 for NIB Bank Limited. During the year ended 2013, a combined Appellate Order for Ex-PICIC pertaining to tax years 2003 through 2007 was issued by Commissioner Inland Revenue (Appeals) – CIR(A) in which the aforementioned expenses were allowed. However, the tax authorities have filed appeal with Income Tax Appellate Tribunal (ITAT) against above combined Appellate Order. Furthermore, tax authorities have also made certain disallowances in respect of tax years 2009, 2010, 2011, 2012 and 2013 which are pending at various appellate forums.

16. GAIN ON SALE OF SECURITIES - NET

| | Half year ended | |
|-------------------------------|----------------------------|------------------|
| | June 30, 2018 | June 30, 2017 |
| | ---- (Rupees in '000) ---- | |
| Federal Government Securities | | |
| -Market Treasury Bills | 21,357 | 1,683 |
| -Pakistan Investment Bonds | 92,131 | 17,307 |
| Listed Shares | 873,565 | 3,227,987 |
| | 987,053 | 3,246,977 |

17. ADMINISTRATIVE EXPENSES

Pursuant to the order of the Honorable Supreme Court of Pakistan, the Bank has recorded past service cost of Rs. 1,903.117 million (one-off provision) on account of pension liability based on actuarial valuation.

18. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

| | | |
|---|--------------------|---------------|
| Profit attributable to equity shareholders of the Bank | 9,423,669 | 13,555,235 |
| | (Number of shares) | |
| Weighted average number of shares outstanding during the period | 1,185,060,006 | 1,113,030,748 |
| | (Rupees) | |
| Basic and diluted Earnings per share - after tax | 7.95 | 12.18 |

19. CREDIT RATING

PACRA through its notification dated June 27, 2018, has maintained bank's long term credit rating of AAA [triple A] and short-term credit rating of A1+ [A one plus].

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates is determined on the basis of break up value of these investments as per the latest available financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these are either short term in nature or, in the case of customer loans and deposits, are frequently repriced.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2018

| | Fair Value | | | | | | | |
|--|----------------------|--------------------|----------|--------------------|-------------------|--------------------|----------|--------------------|
| | June 30, 2018 | | | | December 31, 2017 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees in thousand) | | | | | | | |
| On balance sheet financial instruments | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Held for trading securities | | | | | | | | |
| - Shares in listed companies | 160,596 | - | - | 160,596 | 23,745 | - | - | 23,745 |
| - Units in open ended mutual funds | 485,194 | - | - | 485,194 | 393,473 | - | - | 393,473 |
| - Market Treasury Bills | - | 638,772 | - | 638,772 | - | 4,974 | - | 4,974 |
| | 645,790 | 638,772 | - | 1,284,562 | 417,218 | 4,974 | - | 422,192 |
| Available-for-sale securities | | | | | | | | |
| - Market Treasury Bills | - | 451,391,768 | - | 451,391,768 | - | 384,269,158 | - | 384,269,158 |
| - Pakistan Investment Bonds | - | 173,549,460 | - | 173,549,460 | - | 205,771,813 | - | 205,771,813 |
| - Shares in listed companies & REIT | 19,751,338 | - | - | 19,751,338 | 20,490,214 | - | - | 20,490,214 |
| - NIT units | 8,168 | - | - | 8,168 | 7,805 | - | - | 7,805 |
| - Units in open end mutual funds | 1,007,531 | - | - | 1,007,531 | 1,220,129 | - | - | 1,220,129 |
| - Sukuks | - | 11,236,976 | - | 11,236,976 | - | 7,541,665 | - | 7,541,665 |
| - Term Finance Certificates (TFCs) | - | 105,345 | - | 105,345 | - | 612,857 | - | 612,857 |
| | 20,767,037 | 636,283,549 | - | 657,050,586 | 21,718,148 | 598,195,493 | - | 619,913,641 |
| Non - Financial Assets measured at fair value | | | | | | | | |
| Operating fixed assets (land and buildings) | - | 34,297,868 | - | 34,297,868 | - | 32,414,791 | - | 32,414,791 |
| Non-banking assets | - | 4,540,715 | - | 4,540,715 | - | 4,310,611 | - | 4,310,611 |
| Off balance sheet financial instruments | | | | | | | | |
| FX options purchase and sale | - | 1,967,518 | - | 1,967,518 | - | 1,731,436 | - | 1,731,436 |
| Cross currency swaps | - | 6,685,547 | - | 6,685,547 | - | 3,247,345 | - | 3,247,345 |
| Interest Rate Swaps | - | 314,597 | - | 314,597 | - | 311,792 | - | 311,792 |
| Foreign exchange contracts purchase and sale | - | 213,192,018 | - | 213,192,018 | - | 160,838,104 | - | 160,838,104 |

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year/period.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options, Cross Currency Swaps and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

Valuation techniques and inputs used in determination of fair values within level 2

| Item | Valuation techniques and input used |
|--|--|
| Fully paid-up ordinary shares | Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange. |
| Units of mutual funds | Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day. |
| Pakistan Investment Bonds / Market Treasury Bills | Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page). |
| Government of Pakistan (GoP) - Ijarah Sukuks | Fair values of GoP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers. |
| Term Finance and Bonds | Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. |
| Foreign exchange contracts | The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan. |
| Derivatives | The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc. |
| Operating fixed assets (land and building), Non Banking Assets | Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Bankers' Association. The valuation is based on their assessment of market value of the properties. |

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

21 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

| | Half year ended June 30, 2018 | | | | | |
|---|-------------------------------|-------------------|---------------------------|--------------------|------------------|---------------------------|
| | Corporate Finance | Trading and Sales | Retail & Consumer Banking | Commercial Banking | Asset Management | Inter segment elimination |
| | (Rupees in '000) | | | | | |
| Total income | 53,954 | 6,151,614 | 19,584,843 | 6,054,318 | 378,593 | - |
| Total expenses | (34,920) | (1,569,423) | (13,260,322) | (1,427,301) | (239,967) | - |
| Income tax expense | - | - | - | - | - | - |
| Net income | 19,034 | 4,582,191 | 6,324,521 | 4,627,017 | 138,626 | - |
| Segment assets - (Gross of NPLs Provisions) | 266,608 | 809,130,257 | 1,112,025,728 | 545,930,955 | 2,269,107 | (952,555,904) |
| Advance taxation (payment less provision) | - | - | - | - | - | - |
| Total assets | 266,608 | 809,130,257 | 1,112,025,728 | 545,930,955 | 2,269,107 | (952,555,904) |
| Segment non performing loans | - | - | 12,676,067 | 34,455,673 | - | - |
| Segment specific provision required | - | - | 11,978,801 | 31,133,221 | - | - |
| Segment liabilities | 36,952 | 758,073,886 | 1,110,421,669 | 413,114,147 | 696,402 | (952,555,904) |
| Deferred tax liabilities - net | - | - | - | - | - | - |
| Total liabilities - net | 36,952 | 758,073,886 | 1,110,421,669 | 413,114,147 | 696,402 | (952,555,904) |
| Segment return on assets (ROA) (%) | 40.47% | 1.52% | 3.56% | 2.35% | 16.68% | - |
| Segment cost of fund (%) | - | 6.07% | 3.73% | 5.84% | - | - |
| Half year ended June 30, 2017 | | | | | | |
| | (Rupees in '000) | | | | | |
| Total income | 146,061 | 9,686,750 | 17,058,416 | 3,454,925 | 362,482 | - |
| Total expenses | (47,653) | (1,798,106) | (10,326,553) | (659,488) | (198,108) | - |
| Income tax expense | - | - | - | - | - | - |
| Net income | 98,408 | 7,888,644 | 6,731,863 | 2,795,437 | 164,374 | - |
| Segment assets - (Gross of NPLs provision) | 920,298 | 866,564,306 | 963,188,237 | 344,159,412 | 2,269,940 | (814,746,824) |
| Advance taxation (payment less provision) | - | - | - | - | - | - |
| Total assets | 920,298 | 866,564,306 | 963,188,237 | 344,159,412 | 2,269,940 | (814,746,824) |
| Segment non performing loans | - | - | 6,573,007 | 15,905,516 | - | - |
| Segment specific provision required | - | - | 6,552,721 | 10,172,139 | - | - |
| Segment liabilities | 166,808 | 793,180,939 | 928,898,370 | 289,336,078 | 690,403 | (814,746,824) |
| Deferred tax liabilities - net | - | - | - | - | - | - |
| Total liabilities - net | 166,808 | 793,180,939 | 928,898,370 | 289,336,078 | 690,403 | (814,746,824) |
| Segment return on assets (ROA) (%) | 31.74% | 2.24% | 3.57% | 2.07% | 31.94% | - |
| Segment cost of fund (%) | - | 5.66% | 3.26% | 5.51% | - | - |

Total income = Net markup income + non-markup income
Total expenses = Non Mark up expenses + Provisions
Segment assets and liabilities include inter segment balances.
Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates.
Segment cost of funds have been computed based on the average balances.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

The Group has related party relationship with its associates, subsidiaries, companies with common directorship, employee benefit plans and its directors and key management personnel and their close family members. Investments in associates are given in note 8 to these consolidated condensed interim financial statements for the six months period ended June 30, 2018.
The Group enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.
Details of transactions with related parties and balances with them as at the period-end were as follows:

| | Directors | | Associates | | Other Related Parties | | Key Management | |
|--|--------------------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | Six months ended June 30, 2018 | Year ended Dec 31, 2017 | Six months ended June 30, 2018 | Year ended Dec 31, 2017 | Six months ended June 30, 2018 | Year ended Dec 31, 2017 | Six months ended June 30, 2018 | Year ended Dec 31, 2017 |
| (Rupees in '000) | | | | | | | | |
| A. Balances | | | | | | | | |
| Deposits | | | | | | | | |
| Opening balance | 3,953,730 | 2,542,067 | 2,744,432 | 2,568,584 | 3,800,959 | 5,852,008 | 148,080 | 105,761 |
| Received during the period / year | 1,565,360 | 3,686,510 | 8,759,257 | 37,478,917 | 27,863,683 | 60,757,429 | 469,093 | 751,440 |
| Withdrawn during the period / year | (2,010,653) | (2,274,847) | (9,422,702) | (37,303,069) | (25,991,155) | (62,808,478) | (442,704) | (709,121) |
| Closing balance | 3,508,437 | 3,953,730 | 2,080,987 | 2,744,432 | 5,673,487 | 3,800,959 | 174,469 | 148,080 |
| Advances | | | | | | | | |
| Opening balance | - | 195 | - | - | 2,322,934 | 262,113 | 82,348 | 84,787 |
| Additions / adjustments during the period / year | - | (195) | - | - | 3,671,521 | 4,491,988 | 36,506 | 10,536 |
| Repaid / adjustments during the period / year | - | - | - | - | (4,376,981) | (2,431,167) | (8,929) | (12,975) |
| Closing balance | - | - | - | - | 1,557,474 | 2,322,934 | 109,925 | 82,348 |
| Borrowings | | | | | | | | |
| Opening balance | - | - | - | - | 993,755 | 936,788 | - | - |
| Additions / adjustments during the period / year | - | - | - | - | - | 1,356,967 | - | - |
| Repaid / adjustments during the period / year | - | - | - | - | (264,772) | (1,300,000) | - | - |
| Closing balance | - | - | - | - | 728,983 | 993,755 | - | - |
| Other Balances | | | | | | | | |
| Outstanding balance of credit cards | 1,045 | 946 | - | - | 1,268 | 1,674 | 1,942 | 1,819 |
| Receivable from Pension Fund | - | - | - | - | 3,034,941 | 5,990,537 | - | - |
| Commitments and contingent liabilities - outstanding | - | - | 8,337 | 9,840 | 3,349,952 | 976,586 | - | - |
| Forward purchase of government securities | - | - | - | - | 2,500,000 | - | - | - |
| Forward foreign exchange contracts (Notional) - outstanding | - | - | - | - | - | 17,562,997 | - | - |
| Unrealized gain / (loss) on forward foreign exchange contracts - outstanding | - | - | - | - | - | 68,442 | - | - |
| Trade payable | - | - | 39,101 | 39,730 | - | - | - | - |
| Markup payable | 15,689 | 12,586 | 11,774 | 8,063 | 28,754 | 22,553 | 464 | 113 |
| Other payable | 1,002 | 5,401 | 1,947 | 37 | 756 | 559 | - | - |
| Other advances | - | - | 876 | 3,199 | 27,929 | 27,929 | - | - |
| Markup receivable | - | - | - | - | 23,083 | 14,958 | 2,177 | 589 |
| Other receivable | - | - | - | 557 | 540 | 1,620 | - | - |
| Commission receivable | - | - | 98,300 | 48,253 | - | - | - | - |

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

| Directors | | Associates | | Other Related Parties | | Key Management | |
|------------------|---------------|---------------|---------------|-----------------------|---------------|----------------|---------------|
| June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| (Rupees in '000) | | | | | | | |
| - | - | 356,503 | 351,023 | - | - | - | - |
| - | - | 196,563 | 7,474 | - | - | - | - |
| 38 | 2 | - | - | 38,835 | 9,037 | 4,706 | 3,789 |
| - | - | - | - | 57,476,979 | 24,618,814 | - | - |
| - | - | - | - | 286,156 | 101,038 | - | - |
| - | - | 70,000 | 189,755 | 6,800 | 16,320 | - | - |
| - | - | 560,633 | 505,509 | 2,992 | 3,790 | - | - |
| - | - | 1,838 | 1,671 | 1,620 | 1,620 | - | - |
| - | - | 106,359 | 73,925 | - | - | - | - |
| 1,999 | - | - | - | - | - | 3,149 | 3 |
| - | - | - | - | - | - | 23 | 3 |
| - | - | - | - | 38,843 | 25,192 | - | - |
| - | - | - | - | 122,592 | 87,756 | - | - |
| - | - | - | - | 204,546 | 194,711 | - | - |
| - | - | - | - | - | - | - | - |
| 87,883 | 81,140 | - | - | - | - | 283,076 | 280,173 |
| 82,674 | 48,231 | 42,053 | 34,969 | 97,644 | 77,669 | 729 | 909 |
| - | - | - | - | 78,554 | 62,318 | - | - |
| - | - | - | - | 179,089 | 135,432 | - | - |
| - | - | - | 907 | 27,403 | 26,774 | - | - |
| - | - | 2,349,879 | 4,408,586 | 168,382,343 | 6,812,188 | 20,375 | - |
| - | - | 2,544,892 | 3,413,026 | 172,064,634 | 5,765,748 | 19,993 | - |
| - | - | 51 | 26 | 40,168 | 114 | 0.2 | - |
| - | - | - | - | 37,481 | 18,129 | - | - |

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

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

23 ISLAMIC BANKING BUSINESS

The Group is operating 166 Islamic branches as at June 30, 2018 (December 31, 2017: 76). The statement of financial position of the Group's Islamic Banking Business as at June 30, 2018 is as follows:

| | Note | June 30, 2018 | December 31, 2017 |
|---|------|----------------------------|----------------------|
| | | ---- (Rupees in '000) ---- | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 5,869,195 | 3,390,753 |
| Balances with other banks | | 515,985 | 2,703,251 |
| Due from financial institutions | | - | 1,400,000 |
| Investments - net | 23.1 | 12,468,619 | 9,186,213 |
| Islamic financing and related assets - net | | 52,978,941 | 31,472,935 |
| Operating fixed assets | | 2,993,010 | 2,622,993 |
| Deferred tax assets - net | | 454,863 | 289,465 |
| Other assets - net | | 1,044,334 | 633,515 |
| | | 76,324,947 | 51,699,125 |
| LIABILITIES | | | |
| Bills payable | | 1,542,483 | 314,210 |
| Due to financial institutions | | 11,199,402 | 7,926,790 |
| Deposits and other accounts | | 51,637,534 | 32,690,808 |
| Sub-ordinated loans | | - | - |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities - net | | - | - |
| Other liabilities | | 1,385,021 | 1,136,538 |
| | | 65,764,440 | 42,068,346 |
| | | 10,560,507 | 9,630,779 |
| NET ASSETS | | | |
| REPRESENTED BY | | | |
| Share capital | | 11,200,000 | 10,000,000 |
| Reserves | | 26,444 | 26,444 |
| Accumulated loss | | (564,000) | (194,065) |
| | | 10,662,444 | 9,832,379 |
| Deficit on revaluation of assets - net of tax | | (101,937) | (201,600) |
| | | 10,560,507 | 9,630,779 |

23.1 ISLAMIC FINANCING AND RELATED ASSETS

| | | |
|---|------------|------------|
| In Pakistan | | |
| - Murabaha financing | 7,270,181 | 5,078,311 |
| - Inventory held under Murabaha | 7,422,856 | 4,513,090 |
| - Advances against Murabaha | 1,816,479 | 421,318 |
| - Murabaha under Islamic Export Refinance Scheme | 144,615 | 101,575 |
| - Advances against Murabaha under Islamic Export Refinance Scheme | 96,000 | - |
| - Diminishing Musharakah | 11,121,394 | 8,903,262 |
| - Advances against Diminishing Musharakah | 4,095,223 | 1,248,246 |
| - Running Musharakah financing | 16,598,599 | 8,009,283 |
| - Running Musharakah under Islamic Export Refinance Scheme | 808,000 | 806,700 |
| - Net book value of assets in Ijarah under IFAS 2 | 1,804,628 | 1,484,260 |
| - Advances against Ijarah | 538,796 | 139,249 |
| - Advances against Istisna under Islamic Export Refinance Scheme | 200,000 | 100,000 |
| - Staff finance | 1,069,058 | 668,860 |
| Islamic financing and related assets - gross | 52,985,829 | 31,474,154 |
| Provision against non performing Islamic financing and related assets | (6,888) | (1,219) |
| Islamic financing and related assets - net of provision | 52,978,941 | 31,472,935 |

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the half year ended June 30, 2018

The profit and loss account of the Group's Islamic banking business for the half year ended June 30, 2018 is as follows:

| | Half year ended June 30, 2018 | Half year ended June 30, 2017 |
|---|-------------------------------------|-------------------------------------|
| | ---- (Rupees in '000) ---- | |
| Profit / return earned | 1,578,157 | 818,067 |
| Profit / return expensed | 910,477 | 370,094 |
| Net spread earned | 667,680 | 447,973 |
| Provision / (reversal of provision) against non-performing Islamic financing and related assets - net | 5,669 | (341) |
| Provision for diminution in the value of investments - net | 247,540 | - |
| Bad debts written off directly | - | - |
| | 253,209 | (341) |
| Net spread after provisions | 414,471 | 448,314 |
| Other income | | |
| Fee, commission and brokerage income | 53,193 | 22,576 |
| Dividend income | 41,519 | 34,084 |
| Income from dealing in foreign currencies | 78,721 | 13,299 |
| Gain on sale of securities - net | 15,668 | 299,611 |
| Unrealized gain / (loss) on revaluation of investments classified as held for trading - net | - | - |
| Other income | 5,116 | 5,467 |
| Total other income | 194,217 | 375,037 |
| | 608,688 | 823,351 |
| Other expenses | | |
| Administrative expenses | 1,176,083 | 777,374 |
| Other provision - net | 97 | - |
| Other charges | - | 909 |
| Total other expenses | 1,176,180 | 778,283 |
| Extra ordinary / unusual items | - | - |
| (Loss) / profit before taxation | (567,492) | 45,068 |
| Taxation | | |
| - Current | (22,155) | (14,914) |
| - Prior periods | - | - |
| - Deferred | 219,290 | (436) |
| | 197,135 | (15,350) |
| (Loss) / profit after taxation | (370,357) | 29,718 |
| | Rupees | |
| Basic / diluted (loss) / earnings per share | (0.337) | 0.030 |

24 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- No significant reclassifications have been made in these consolidated condensed interim financial statements.

25 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on August 01, 2018 has announced cash dividend in respect of the half year ended June 30, 2018 of Rs. 4.00 per share (June 30, 2017: Rs. 4.00 per share). These consolidated condensed interim financial statements for the half year ended June 30, 2018 do not include the effect of this appropriation which will be accounted for subsequent to the period end.

26 DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 01, 2018.



Imran Maqbool
President / CEO



Hammad Khalid
Chief Financial Officer
(Officiating)



Nor Hizam Bin Hashim
Director



Iqraa Hassan Mansha
Director



Muhammad Ali Zeb
Director

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