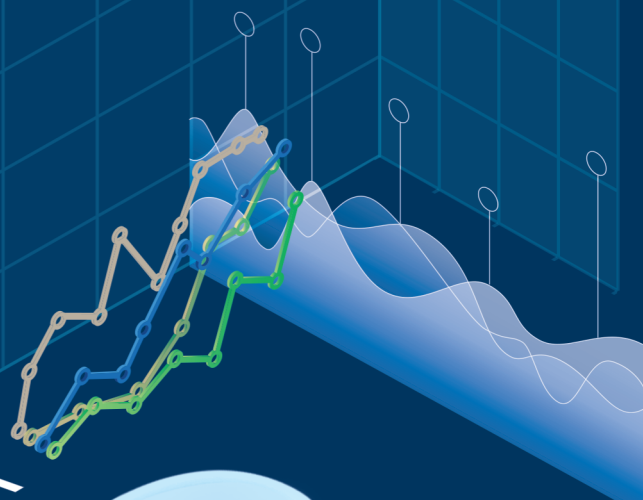




Bank for Life

3rd Quarter



FINANCIAL REPORT

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

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 Committe

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

| | |
|---|---|
| Chief Financial Officer: | Mr. Hammad Khalid |
| Company Secretary: | Mr. Fida Ali Mirza |
| Auditors: | M/s. KPMG Taseer Hadi & Co. Chartered Accountants |
| Legal Advisors: | M/s. Khalid Anwer & Co. Advocates & Legal Consultants |
| 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 |



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

Profit Before Taxation

Taxation

Profit After Taxation

Un-appropriated Profit Brought Forward

Remeasurement of Defined Benefit Plans - net of tax

Surplus realized on Disposal of Revalued Fixed Assets - 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

Interim Cash Dividend - June 2018

Total Appropriations

Un-appropriated Profit Carried Forward

Performance Review

During the nine months period ended September 30, 2018, MCB Bank Limited reported Profit Before Tax (PBT) of Rs. 23.32 billion (-10.32%) and Profit After Tax (PAT) of Rs. 14.31 billion (-25.22%). The significant decrease in PAT was on account of a tax provision reversal amounting to Rs. 3.59 billion recorded in 2017.

Strategic management of the earning asset mix resulted in 7.70% increase in net interest income over corresponding period last year. Analysis of the interest earning assets highlights that income on advances increased by Rs 6.8 billion, primarily on account of significant increase in average advances volume of Rs. 99 billion with improved yield of 49bps. On the investment side, the average volume dropped by Rs. 79 billion with increase in yield of 5bps, resulting in overall decrease of Rs. 4.0 billion in investments income. The interest expense of the Bank increased by Rs. 1.1 billion with growth in average deposits by Rs. 138 billion when compared with corresponding period last year. Current accounts registered an average increase of Rs. 51.3 billion improving the concentration level to 38% of total deposit base as at September 30, 2018. The Bank continued to enjoy one of the highest CASA base in the industry of 92.46%.

The non-markup income block of the bank was reported at Rs 11.76 billion reflecting a decrease of 15% when compared with corresponding period last year, primarily on account of dismal capital market performance. The Bank continued with its focus on core non-fund based income stream which was reflected in 9% growth in the fee, commission and brokerage line. Income from dealing in foreign currencies reflected an increase of Rs. 196 million (+18%) when compared with corresponding period last year.

On the administrative expenses side, the bank reported an increase of 12.47% (excluding pension fund) over corresponding period last year with major increase in personnel cost, rent, depreciation and repairs, mainly 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. 1.92 billion, whereas Rs. 220 million was reversed on account of provision against investments.

| Rs. in Million | |
|----------------|--|
| 23,315 | |
| 9,004 | |
| 14,311 | |
| 53,776 | |
| (680) | |
| 99 | |
| 40 | |
| 53,235 | |
| 67,546 | |
| 1,431 | |
| 4,740 | |
| 4,740 | |
| 4,740 | |
| 15,651 | |
| 51,895 | |



The total asset base of the Bank on an unconsolidated basis was reported at Rs. 1.296 trillion reflecting a decrease of 2.4% over December 31, 2017. Analysis of the asset mix highlights that net investments have decreased by Rs. 203 billion (-30.87%) with a corresponding increase in lending to financial institutions to leverage the anticipated interest rate volatility as at September 30, 2018. The Non-performing loan base of the bank reduced by Rs. 1.7 billion on account of recoveries made / settlements executed during the nine month period. The coverage and infection ratios of the Bank were reported at 93.26% (Dec 2017: 93.74%) and 8.86% (Dec 2017: 9.47%) respectively.

On the liabilities side, the deposit base of the Bank registered a significant increase of Rs. 64.17 billion (+6.63%) over December 2017 which resulted in the Bank crossing One Trillion Deposit benchmark. The increase of Rs. 64.17 billion is net of the deposits amounting to Rs. 21.92 billion transferred to MCB's wholly owned subsidiary MCB Islamic Bank Limited under the scheme of demerger sanctioned by the Lahore High Court.

Earning per share (EPS) for the nine months period ended September 30, 2018 was Rs. 12.08 as compared to Rs. 16.86 during the same period last year. Return on Assets and Return on Equity were reported at 1.45% and 13.98% respectively, whereas book value per share was reported at Rs. 115.24.

The Board of Directors declared 3rd interim cash dividend of Rs. 4.0 per share for the nine months period ended September 30, 2018, which is in addition to Rs. 8.0 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+ 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 third quarter of 2018, Pakistan was faced with a number of economic challenges. The newly elected government will need to grapple with these issues decisively through careful consideration and attention.

On the positive side, Pakistan's exports continued to improve, growing by 4.6% YoY, in dollar terms, during Jul – Sept FY19 to \$5.4 billion. At the same time, imports only increased slightly by 0.6% YoY, in dollar terms to almost \$14.2 billion. This has resulted in a lower trade deficit compared to the comparative period last year of \$8.9 billion, down by 1.6% in dollar terms. Workers' remittances stood at \$5.4bn in Jul – Sept FY19, posting a healthy increase of 13.1% from the previous fiscal year. These trends, if they continue, will help contain pressures on the external front.

The USDPKR parity (beginning the quarter at 121.50) remained volatile. After recording a devaluation of 5.7% in July, touching a high of 128.50, the rupee appreciated relative to the dollar, closing the quarter at 124.25. Pakistan's FX reserves have been on the decline, falling from \$16.4 billion at the beginning of the quarter to \$14.9 billion by 28 Sept due to external debt servicing and other official payments.

As a result, Pakistan is likely to approach the IMF for a bailout package as State Bank of Pakistan's official reserves have fallen to less than two months of import cover. At the same time, Pakistan has also approached for the help of friendly countries to improve its foreign exchange reserves' position.

There has been an upward movement in core inflation, increasing from 7.1% YoY in June to 8.0% YoY in September, 2018. Much of this has come about as a result of continued rupee devaluation during the year, as its second round effects continue to take place. Owing to the external account pressures and increase in core inflation, the State Bank of Pakistan raised its policy rate by 100 bps in July 2018 and a further 100 bps in September 2018. The policy rate now stands at 8.50%.

These measures will likely contain inflation and help reduce the external account imbalances the country is faced with.

As regards Pakistani stock markets, the KSE-100 continued to fall amid external account vulnerabilities and interest rate hikes. The index began the quarter at 41,911 but ended 2.38% down at 40,989.

The government has also introduced a mini-budget to combat some of the challenges in the economy. The effectiveness of these policy measures and political stability will largely dictate whether the material benefits are realized to their inherent potential. Risks emanating from the external and fiscal sides will have to be closely watched and accounted for.

Future Outlook

Pakistan's economy is at an important juncture, whereby the need of the hour is timely materialization of financial inflows and continued reduction in the import bill. Support from the IMF and other friendly countries will improve the country's foreign exchange reserves and ensure that the country continues to pursue, on the whole, growth-friendly policies and measures. Pakistan will also need to maintain fiscal discipline and keep government expenditures in check. At the same time, widening the tax net and increasing tax revenues remains a key objective of the new government. Pakistan will also need to improve its export competitiveness by boosting productivity, reduction in production cost coupled with greater diversification in the export sector. The government needs to tackle these challenges successfully for Pakistan to remain on the path of economic stability.

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

October 24, 2018

Umer Mansha

Mian Umer Mansha
Director
MCB Bank Limited

جس کے نتیجہ میں پاکستان کو کمزور طور پر آئی ایم ایف سے تیل آؤٹ (امدادی) کینچ کے لیے رجوع کرنا پڑے گا۔ کیونکہ اسٹیٹ بینک آف پاکستان کے ذخائر تیزی سے گھٹتے ہوئے دو ماہ کی درآمدات کی ادائیگیوں سے بھی کم ہو چکے ہیں۔ اس کے ساتھ ساتھ پاکستان نے اپنے زرمبادلہ کے ذخائر کی صورتحال کو بہتر بنانے کے لیے اپنے دوست ممالک سے بھی رابطہ کیا ہے۔

خالص افراط زر میں بڑھوتی کے آثار ہیں جو کہ جون میں، سالانہ بنیاد پر، 7.1 فیصد سے بڑھتا ہوا ستمبر تک 8.0 تک جا پہنچا۔ اس ساری صورتحال کی بڑی وجہ سال کے دوران، روپے میں مسلسل تنزلی اور اس کی دیگر اثرات کا جاری رہنا ہے۔ بیرونی اکاؤنٹ کے دباؤ اور خالص افراط زر میں اضافہ کے باعث اسٹیٹ بینک آف پاکستان نے جولائی 2018 میں پالیسی ریٹ میں 100 بی پی ایس (BPS) کے اضافہ کا فیصلہ کیا اور پھر ستمبر 2018 میں مزید 100 بی پی ایس (BPS) کا اضافہ کیا، جس سے یہ شرح 8.50 فیصد تک پہنچ گئی ہے۔

یہ اقدامات افراط زر کو روکنے میں معاون ثابت ہو گئے اور ملک کے بیرونی عدم توازن میں کمی بھی مددگار ہوں گے۔

جہاں تک پاکستانی اسٹاک مارکیٹ کا تعلق ہے کے ایس ای (KSE) 100 انڈیکس بیرونی ادائیگیوں کی حساسیت اور انٹرنسٹ ریٹ میں اضافے کے باعث مسلسل کمی کا شکار ہے۔ اس سہ ماہی کے آغاز میں کے ایس ای 100 انڈیکس 41,911 پوائنٹس سے شروع ہوا اور اختتام تک 2.38 فیصد کمی کے ساتھ 40,989 پوائنٹس پر بند ہوا۔

حکومت نے معیشت کو درپیش چند خدشات کے تدارک کے لیے ایک ضمنی بجٹ بھی پیش کیا ہے۔ ان اقدامات کی افادیت اور سیاسی استحکام اس راہ کو واضح کرے گا کہ اپنے عمومی فوائد کو اپنی استعداد کے مطابق حاصل کیا جاسکے۔ بیرونی اور مالیاتی دباؤ سے متعلق خدشات پر بھی گہری نگاہ رکھنے اور ان کے تدارک کی ضرورت ہے۔

مستقبل کی پیش بینی:

پاکستان کی معیشت ایک نازک مقام پر ہے جہاں یہ امر ناگزیر ہے کہ مالیاتی وصولیوں کی بروقت دستیابی اور درآمدات کی ادائیگیوں میں کمی کو یقینی بنایا جائے۔ آئی ایم ایف اور دیگر دوست ممالک سے مالی تعاون تا صرف ملک کے زرمبادلہ کے ذخائر میں اضافہ کرے گا بلکہ ساتھ ہی اس امر کو بھی یقینی بنائے گا کہ ملک میں مجموعی طور پر نمود دوست پالیسیاں اور اقدامات اٹھائے جائیں۔ پاکستان کو مالی ڈسپلن کو برقرار رکھنے کی ضرورت ہے اور اسی اثناء میں ٹیکس میں توسیع کرنا بھی حکومت کی اولین ترجیحات میں سے ایک ہے۔ پاکستان کو اپنی درآمدات کی مسابقت، تیزی، پیداوار میں اضافہ اور پیداواری لاگت میں کمی لانے کی ضرورت ہے۔ برآمدات کے شعبہ میں بڑے پیمانے پر وسعت کی بھی ضرورت ہے۔ حکومت کو ان تمام عوامل کو احسن طریقے سے حل کرنے کی ضرورت ہے تاکہ پاکستان معاشی استحکام کی راہ پر واپس آ سکے۔

تحسین و تفکر:

ایم سی بی بینک کے بورڈ آف ڈائریکٹرز، حکومت پاکستان، اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر انضباطی اداروں کی جاری معاونت کے لیے، بینک کے ٹیمبر ہولڈرز اور صارفین کا ان کے اعتماد کے لیے، اور اپنے ملازمین کا ان کی مسلسل لگن اور خالصانہ خدمات پر شکریہ ادا کرتے ہیں۔

منجانب دیرائے بورڈ آف ڈائریکٹرز

میاں عمر منشاء

ڈائریکٹر

ایم سی بی بینک لمیٹڈ

عمران مقبول

پریذیڈنٹ اور سی ای او

ایم سی بی بینک لمیٹڈ

24 اکتوبر 2018

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

منافع قبل از ٹیکس

منافع بعد از ٹیکس

افتتاحی غیر تخصیص شدہ منافع
ایکپلاؤ بنیفٹس پلان کی دوبارہ پیمائش (خالص از ٹیکس)
پائیدار اثاثوں کی از سر نو تخمینہ پرفروخت سے حاصل منافع (خالص از ٹیکس)
پائیدار اثاثوں کی از سر نو تخمینہ پراضافی آمدن (خالص از ٹیکس)

تخصیص کیلئے دستیاب منافع

تخصیص:

قانونی ریزرو
حتی کیش ڈیویڈنڈ برائے دسمبر 2017
عبوری کیش ڈیویڈنڈ برائے مارچ 2018
عبوری کیش ڈیویڈنڈ برائے جون 2018

کل تخصیص

اختیاری غیر تخصیص شدہ منافع

کارکردگی کا تجزیہ:

30 ستمبر 2018ء کو اختتام پذیر، اس عرصہ کے دوران، ایم سی بی بینک نے 23.32 بلین روپے کا قبل از ٹیکس منافع (10.32%-) اور 14.31 بلین روپے کا بعد از ٹیکس منافع (25.22%-) حاصل کیا۔ بعد از ٹیکس منافع میں نمایاں کمی کی بڑی وجہ 3.59 بلین روپے کی ٹیکس ریورسل تھی جو کہ ستمبر 2017 کے نتائج میں شامل تھی۔

اپنے پیداواری اثاثوں کے موثر انتظام کے باعث خالص انٹرسٹ آمدنی میں گزشتہ سال کی تقابلی مدت کے تناظر میں 7.70 فیصد کا اضافہ ہوا۔ پیداواری اثاثوں کا جائزہ اس امر کی عکاسی کرتا ہے کہ قرضہ جات سے حاصل ہونے والی آمدنی میں 6.8 بلین روپے کا اضافہ ہوا، جس کی بنیادی وجہ قرضہ جات کے اوسط حجم میں 99 بلین روپے کا اضافہ اور ریٹرن میں 49 بی پی ایس کی بہتری تھی۔ سرمایہ کاری کی مدد میں 4.0 بلین روپے کی دیکھی گئی جس کی وجہ اوسط حجم میں 79 بلین روپے کی اور ریٹرن میں 5 بی پی ایس کی بہتری تھی۔

بینک کے انٹرسٹ اخراجات میں 1.1 بلین روپے کا اضافہ ہوا جبکہ اوسط ڈیپازٹس گزشتہ سال کی تقابلی مدت کی نسبت 138 بلین روپے تک بڑھ گئے۔ کرنٹ اکاؤنٹس میں بھی 51.3 بلین روپے کا اوسط اضافہ ہوا جس سے کل ڈیپازٹس میں ایک مجموعی حصہ 30 ستمبر 2018 تک 38 فیصد رہا۔ بینک پوری صنعت میں اپنی 92.46 فیصد کی بلند ترین کاسا (CASA) کی شرح کو کامیابی سے برقرار رکھے ہوئے ہے۔

بینک کی نان مارک اپ آمدنی گزشتہ سال کی اسی تقابلی مدت کی نسبت 15 فیصد کی کمی کے ساتھ 11.76 بلین روپے پر درج کی گئی جس کی بنیادی وجہ کپٹل مارکیٹ میں کارکردگی ہے۔ بینک اپنی توجہ غیر سرمائی خالص آمدنی پر مسلسل مرکوز کئے ہوئے ہے جس کے باعث فیس، کمیشن اور بروکریج کی آمدنی میں 9 فیصد کا اضافہ دیکھنے میں آیا۔ غیر ملکی کرنسیوں کی ڈیلنگ سے حاصل ہونے والی آمدنی میں گزشتہ سال کے اسی تقابلی عرصہ کی نسبت 196 بلین روپے (18.37%+) کا اضافہ ریکارڈ کیا گیا۔

انتظامی اخراجات کے حوالہ سے بینک نے پچھلے سال کی اسی تقابلی مدت کی نسبت 12.47 فیصد (بخروج پنشن فنڈ) کا اضافہ ریکارڈ کیا۔ جس میں عمومی طور پر ٹیکس این آئی بی (EX-NIB) سے متعلقہ عملی سرگرمیوں کے باعث افرادی لاگت، کرایہ، فرسودگی اور مرمت کے اخراجات میں اضافہ درج کیا گیا۔ انتظامی اخراجات میں معزز سپریم کورٹ کے حکم کے تحت 1.9 بلین روپے کا پنشن کا خرچ بھی شامل ہے جو کہ ماضی کی خدمات کی لاگت پر مشتمل ہے جس کا تعین پنشن کی قابل ادائیگی لاگت کے انکچورنیکل تخمینہ پر کیا گیا ہے۔ قرضہ جات کی متعلقہ پروڈیون میں 1.92 بلین روپے اور سرمایہ کاری پروڈیون میں 220 بلین روپے کی ریورسل کی گئی ہے۔

بینک کے (انفرادی بنیاد پر) کل اثاثہ جات، دسمبر 2017 سے 2.4 فیصد کی کمی کے ساتھ 1.296 ٹریلین روپے پر رپورٹ ہوئے۔ اثاثوں کی ترکیب کا جائزہ واضح کرتا ہے کہ دسمبر 2017 کی نسبت خالص سرمایہ کاری میں 203 بلین روپے کی کمی (30.87%-) ہوئی۔ اس کے برعکس 30 ستمبر 2018 تک مالیاتی اداروں کو دیئے گئے قرضہ جات میں اضافہ دیکھا گیا جس کی وجہ انٹرسٹ ریٹ میں متوقع تبدیلی ہے۔ ادائیگیوں اور وصولیوں میں بہتری کے باعث بینک کے غیر فعال قرضے 1.7 بلین روپے تک کم ہوئے۔ بینک کی کوریج اور انفیکشن کی شرح بالترتیب 93.26 فیصد (دسمبر 2017 - 93.74%) اور 8.86 فیصد (دسمبر 2017 - 9.47%) پر رپورٹ ہوئی۔

واجبات کی مدد میں بینک نے اپنے ڈیپازٹس کی اساس میں دسمبر 2017ء کی نسبت 64.17 روپے (6.63%+) کا قابل قدر اضافہ ریکارڈ کیا، جس کے باعث بینک نے ایک ٹریلین ڈیپازٹ کا سنگ میل بھی عبور کیا۔ 64.17 بلین روپے کا یہ اضافہ بینک کے اپنی مکمل ملکیتی کمپنی، ایم سی بی اسلامک بینک کو 21.92 بلین روپے کی ڈیپازٹس کی منتقلی کے علاوہ ہے۔

فی حصص آمدنی (EPS) 30 ستمبر 2018ء کو اختتام پذیر نو ماہ کے عرصہ میں 12.08 روپے رہی جو کہ پچھلے سال کی اسی تقابلی مدت میں 16.86 روپے تھی۔ اثاثہ جات اور ایکٹیوٹی پر ریٹرن بالترتیب 1.45 فیصد اور 13.98 فیصد ریکارڈ کیا گیا۔ جبکہ بک ویلیو فی حصص 115.24 روپے رہی۔

بورڈ آف ڈائریکٹرز نے 30 ستمبر 2018ء کو اختتام پذیر نو ماہ کے عرصہ کیلئے 4.0 روپے فی شیئر کے تیسرے عبوری کیش ڈیویڈنڈ کا اعلان کیا ہے۔ جو کہ شیئر ہولڈرز کو پہلے سے ادا شدہ 8.0 روپے فی شیئر کے عبوری ڈیویڈنڈ کے علاوہ ہے۔

ایم سی بی بینک لمیٹڈ سے 90 برانچوں کی ملحدگی:

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

ریٹنگوں:

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

معاشی جائزہ:

سال 2018ء کی تیسری سہ ماہی کے دوران پاکستان کو کئی معاشی مسائل کا سامنا ہے۔ نئی منتخب شدہ حکومت کو نہایت تدریجاً توجہ سے ان مسائل سے فیصلہ کن انداز سے نمٹنے کی ضرورت ہے۔

ثبت رخ کے طور پر، پاکستان کی برآمدات میں بہتری کا رجحان جاری ہے جس کی شرح، امریکی ڈالروں میں، سالانہ بنیاد پر 4.6 فیصد کے ساتھ مالی سال 2019 جولائی۔ ستمبر کے دوران 5.4 بلین امریکی ڈالرز تک بڑھ گئیں۔ اسی اثناء میں درآمدات سالانہ بنیاد پر 0.6 فیصد کے معمولی اضافہ سے، امریکی ڈالروں میں تقریباً 14.2 بلین امریکی ڈالرز تک پہنچ گئیں۔ جس سے تجارتی خسارہ میں گزشتہ مالی سال کی اسی تقابلی مدت کے 8.9 بلین امریکی ڈالرز کے حجم کی نسبت 1.6 فیصد کی کمی درج کی گئی ہے۔ دریں اثناء افرادی ترسیلات کا حجم مالی سال 2019 جولائی۔ ستمبر کے دوران 5.4 بلین امریکی ڈالرز تک درج کیا گیا، جو کہ گزشتہ مالی سال کے مقابلے میں 13.1 فیصد کی نمایاں بہتری کو ظاہر کرتا ہے۔ یہ رجحانات، اگر جاری رہے تو بیرونی محاذ پر پیش آنے والے دباؤ کے اثر کو زائل کرنے میں مددگار ثابت ہوں گے۔

امریکی ڈالر اور پاکستانی روپے کی شرح توازن (جوسہ ماہی کے آغاز پر 121.50 روپے تھی) میں حساسیت برقرار رہی۔ یہ شرح جولائی میں 5.7 فیصد کی تنزلی کے بعد 128.50 روپے کی بلند ترین سطح تک پہنچ گئی تاہم سہ ماہی کے اختتام تک پاکستانی روپیہ ڈالر کے مقابلے میں قدرے بہتری کے ساتھ 124.25 روپے کی سطح پر بند ہوا۔ پاکستان کے زرمبادلہ کے ذخائر بھی مسلسل کمی کا شکار رہے اور سہ ماہی کے آغاز میں 16.4 بلین امریکی ڈالر کے حجم سے کم ہوتے ہوئے 28 ستمبر تک 14.9 بلین امریکی ڈالرز تک چاہیے، اس کی کمی کے بڑے عوامل میں بیرونی قرضوں اور دیگر سرکاری ادائیگیاں تھیں۔

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



| | Note | Unaudited September 30, 2018 | Audited December 31, 2017 |
|---|------|------------------------------------|---------------------------------|
| ----- (Rupees in '000) ----- | | | |
| Assets | | | |
| Cash and balances with treasury banks | | 129,586,672 | 106,072,084 |
| Balances with other banks | | 7,291,628 | 4,579,275 |
| Lendings to financial institutions | 7 | 142,153,156 | 4,398,114 |
| Investments - net | 8 | 454,190,393 | 656,963,632 |
| Advances - net | 9 | 487,500,519 | 469,355,849 |
| Operating fixed assets | 10 | 40,509,589 | 39,573,932 |
| Deferred tax assets - net | | - | - |
| Other assets - net | | 34,743,973 | 46,368,154 |
| | | 1,295,975,930 | 1,327,311,040 |
| Liabilities | | | |
| Bills payable | | 12,273,465 | 22,680,667 |
| Borrowings | 11 | 55,836,790 | 133,069,556 |
| Deposits and other accounts | 12 | 1,032,649,298 | 968,482,635 |
| Sub-ordinated loan | 13 | 3,891,798 | 3,892,578 |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities - net | 14 | 2,137,831 | 4,625,035 |
| Other liabilities | | 40,544,170 | 40,994,232 |
| | | 1,147,333,352 | 1,173,744,703 |
| Net assets | | 148,642,578 | 153,566,337 |
| Represented by | | | |
| Share capital | | 11,850,600 | 11,850,600 |
| Reserves | | 72,823,252 | 70,866,473 |
| Unappropriated profit | | 51,895,216 | 53,776,057 |
| | | 136,569,068 | 136,493,130 |
| Surplus on revaluation of assets - net of tax | | 12,073,510 | 17,073,207 |
| | | 148,642,578 | 153,566,337 |

Contingencies and commitments

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

Yahya Saleem
Director

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)
For the nine months period ended September 30, 2018



| | Note | Quarter ended September 30, 2018 | Nine months ended September 30, 2018 | Quarter ended September 30, 2017 | Nine months ended September 30, 2017 |
|---|------|--|---|--|---|
| ----- (Rupees in '000) ----- | | | | | |
| Mark-up / return / interest earned | | 21,210,970 | 58,925,849 | 19,472,513 | 55,438,316 |
| Mark-up / return / interest expensed | | 9,853,789 | 25,015,800 | 8,036,251 | 23,953,970 |
| Net mark-up / interest income | | 11,357,181 | 33,910,049 | 11,436,262 | 31,484,346 |
| Provision / (reversal) against loans and advances - net | | (489,980) | (1,916,610) | (524,910) | (2,471,918) |
| Provision / (reversal) for diminution in the value of investments - net | | 509 | (219,698) | (11,703) | 575,404 |
| Bad debts written off directly | | 7 | 30 | - | 14 |
| | | (489,464) | (2,136,278) | (536,613) | (1,896,500) |
| Net mark-up / interest income after provisions | | 11,846,645 | 36,046,327 | 11,972,875 | 33,380,846 |
| Non mark-up / interest income | | | | | |
| Fee, commission and brokerage income | | 2,491,804 | 7,636,954 | 2,387,489 | 7,025,417 |
| Dividend income | | 242,767 | 800,760 | 375,083 | 1,175,466 |
| Income from dealing in foreign currencies | | 339,260 | 1,260,906 | 368,096 | 1,065,240 |
| Gain on sale of securities - net | | (14,417) | 1,152,827 | 874,016 | 4,157,635 |
| Unrealized gain/(loss) on revaluation of investments classified as held for trading | 17 | 17,579 | (8,012) | 32,179 | (11,023) |
| Other income | | 415,974 | 913,754 | 110,683 | 415,244 |
| Total non mark-up / interest income | | 3,492,967 | 11,757,189 | 4,147,546 | 13,827,979 |
| | | 15,339,612 | 47,803,516 | 16,120,421 | 47,208,825 |
| Non mark-up / interest expenses | | | | | |
| Administrative expenses | 18 | 7,864,231 | 24,629,144 | 7,638,657 | 20,023,619 |
| Other provision / (reversal) - net | | (14,904) | (714,601) | (4,909) | 555,078 |
| Other charges | | 174,813 | 573,719 | 213,273 | 631,147 |
| Total non mark-up / interest expenses | | 8,024,140 | 24,488,262 | 7,847,021 | 21,209,844 |
| Profit before extra ordinary / unusual item and taxation | | 7,315,472 | 23,315,254 | 8,273,400 | 25,998,981 |
| Extraordinary / unusual item | | - | - | - | - |
| Profit before taxation | | 7,315,472 | 23,315,254 | 8,273,400 | 25,998,981 |
| Taxation - current period | | 2,777,766 | 8,435,920 | (349,823) | 5,796,444 |
| - prior years | | - | - | - | (2,175,828) |
| - deferred | | (10,168) | 568,344 | 3,174,068 | 3,239,874 |
| | | 2,767,598 | 9,004,264 | 2,824,245 | 6,860,490 |
| Profit after taxation | | 4,547,874 | 14,310,990 | 5,449,155 | 19,138,491 |
| ----- (In Rupees) ----- | | | | | |
| Earnings per share - basic and diluted | 19 | 3.84 | 12.08 | 4.62 | 16.86 |

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

Yahya Saleem
Director

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine months period ended September 30, 2018



| | Quarter ended September 30, 2018 | Nine months ended September 30, 2018 | Quarter ended September 30, 2017 | Nine months ended September 30, 2017 |
|---|--|---|--|---|
| | ----- (Rupees in '000) ----- | | | |
| Profit after tax for the period | 4,547,874 | 14,310,990 | 5,449,155 | 19,138,491 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit and loss account | | | | |
| Remeasurement of defined benefit plans - net of tax | - | (679,241) | - | (642,454) |
| Items that may be reclassified to profit and loss account | | | | |
| Effect of translation of net investment in foreign branches | (103,697) | 525,680 | 45,884 | (21,460) |
| Comprehensive income transferred to equity | 4,444,177 | 14,157,429 | 5,495,039 | 18,474,577 |
| Components of comprehensive income not reflected in equity | | | | |
| Net change in fair value of available for sale securities | (2,711,463) | (7,477,645) | (5,147,020) | (8,087,254) |
| Deferred tax | 949,012 | 2,617,176 | 1,801,459 | 2,830,540 |
| | (1,762,451) | (4,860,469) | (3,345,561) | (5,256,714) |
| Total comprehensive income for the period | 2,681,726 | 9,296,960 | 2,149,478 | 13,217,863 |

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


Yahya Saleem
Director


Mian Umer Mansha
Director


Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For the nine months period ended September 30, 2018



| | September 30, 2018 | September 30, 2017 |
|--|------------------------------|-----------------------|
| | ----- (Rupees in '000) ----- | |
| Cash flows from operating activities | | |
| Profit before taxation | 23,315,254 | 25,998,981 |
| Less: Dividend income | (800,760) | (1,175,466) |
| | 22,514,494 | 24,823,515 |
| Adjustments for: | | |
| Depreciation | 1,528,421 | 1,256,573 |
| Amortization | 192,317 | 182,309 |
| Bad debts written off directly | 30 | 14 |
| Provision / (reversal) against loans and advances - net | (1,916,610) | (2,471,918) |
| Provision / (reversal) for diminution in the value of investments - net | (219,698) | 575,404 |
| Other provision / (reversal) - net | (714,601) | 555,078 |
| Provision for Workers' Welfare Fund | 466,305 | 519,980 |
| Charge / (reversal) for defined benefit plans | 2,082,336 | 32 |
| Unrealized loss on revaluation of investments classified as held for trading | 8,012 | 11,023 |
| Gain on sale of shares in associate | (247,677) | (685,593) |
| Gain on disposal of fixed assets - net | (317,445) | (13,276) |
| | 861,390 | (70,374) |
| | 23,375,884 | 24,753,141 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | (137,755,042) | (5,593,254) |
| Net investment in held for trading securities | (2,004,919) | (60,635,027) |
| Advances - net | (16,228,090) | (21,180,706) |
| Other assets - net | 2,133,258 | 4,647,591 |
| | (153,854,793) | (82,761,396) |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | (9,192,992) | (729,628) |
| Borrowings | (77,330,249) | 37,097,940 |
| Deposits and other accounts | 86,084,989 | 99,329,590 |
| Other liabilities | 427,972 | (1,506,414) |
| | (10,280) | 134,191,488 |
| | (130,489,189) | 76,183,233 |
| Defined benefits paid | (251,803) | (238,413) |
| Income tax paid | (1,497,465) | (5,264,509) |
| Net cash flows from operating activities | (132,238,457) | 70,680,311 |
| Cash flows from investing activities | | |
| Net investments in available-for-sale securities | 195,089,469 | (53,245,224) |
| Net investments in held-to-maturity securities | 3,574,959 | 6,405,830 |
| Dividend income received | 942,563 | 920,723 |
| Net cash inflow on amalgamation | - | 14,268,116 |
| 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 | 637,790 | 22,988 |
| Investment in operating fixed assets | (3,115,234) | (3,118,135) |
| | 174,010,815 | (33,962,885) |
| Net cash flows from investing activities | 174,010,815 | (33,962,885) |
| Cash flows from financing activities | | |
| Repayment of subordinated loan | (780) | - |
| Dividend paid | (15,445,121) | (12,651,817) |
| | (15,445,901) | (12,651,817) |
| Net cash flows from financing activities | (15,445,901) | (12,651,817) |
| Exchange difference on translation of net investment in foreign branches | 525,680 | (21,460) |
| Increase in cash and cash equivalents | 26,852,137 | 24,044,149 |
| 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 September 30 | 135,672,183 | 102,450,811 |

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


Yahya Saleem
Director


Mian Umer Mansha
Director


Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2018



| | Capital Reserves | | | | Revenue Reserves | | | Total |
|---|------------------|---------------|-----------------------------------|------------------------------|-------------------|-----------------|-----------------------|--------------|
| | 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 | 117,946,240 |
| Change in equity for nine months ended September 30, 2017 | | | | | | | | |
| Total comprehensive income for the nine months ended September 30, 2017 | | | | | | | | |
| Profit after taxation for the nine months period ended September 30, 2017 | - | - | - | - | - | - | 19,138,491 | 19,138,491 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (642,454) | (642,454) |
| Exchange differences on translation of net investment in foreign branches | - | - | - | (21,460) | - | - | - | (21,460) |
| | - | - | - | (21,460) | - | - | 18,496,037 | 18,474,577 |
| 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) |
| Interim cash dividend at Rs. 4.0 per share - March 31, 2017 | - | - | - | - | - | - | (4,452,123) | (4,452,123) |
| Interim cash dividend at Rs. 4.0 per share - June 30, 2017 | - | - | - | - | - | - | (4,740,240) | (4,740,240) |
| | - | - | - | - | - | - | (13,644,486) | (13,644,486) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 40,194 | 40,194 |
| Transferred to statutory reserve | - | - | - | - | 1,913,849 | - | (1,913,849) | - |
| Shares issued under amalgamation scheme (note 1.1) | 720,293 | 14,048,586 | - | - | - | - | - | 14,768,879 |
| Gain on bargain purchase arising on amalgamation of NIB Bank Limited (note 1.1) | - | - | 520,282 | - | - | - | - | 520,282 |
| Balance as at September 30, 2017 | 11,850,600 | 23,751,114 | 520,282 | 145,714 | 26,791,008 | 18,600,000 | 56,446,968 | 138,105,686 |
| Change in equity for three months ended December 31, 2017 | | | | | | | | |
| Total comprehensive income for the three months ended December 31, 2017 | | | | | | | | |
| Profit after taxation for the three months period ended December 31, 2017 | - | - | - | - | - | - | 3,320,410 | 3,320,410 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (932,437) | (932,437) |
| Exchange differences on translation of net investment in foreign branches | - | - | - | 338,279 | - | - | - | 338,279 |
| | - | - | - | 338,279 | - | - | 2,387,973 | 2,726,252 |
| Transactions with owners recognized directly in equity | | | | | | | | |
| Interim cash dividend at Rs. 4.0 per share - September 30, 2017 | - | - | - | - | - | - | (4,740,240) | (4,740,240) |
| | - | - | - | - | - | - | (4,740,240) | (4,740,240) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 13,397 | 13,397 |
| Transferred to statutory reserve | - | - | - | - | 332,041 | - | (332,041) | - |
| Gain on bargain purchase arising on amalgamation of NIB Bank Limited (note 1.1) | - | - | 388,035 | - | - | - | - | 388,035 |
| 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 | 136,493,130 |
| Change in equity for nine months ended September 30, 2018 | | | | | | | | |
| Total comprehensive income for the nine months ended September 30, 2018 | | | | | | | | |
| Profit after taxation for the nine months period ended September 30, 2018 | - | - | - | - | - | - | 14,310,990 | 14,310,990 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (679,241) | (679,241) |
| Exchange differences on translation of net investment in foreign branches | - | - | - | 525,680 | - | - | - | 525,680 |
| | - | - | - | 525,680 | - | - | 13,631,749 | 14,157,429 |
| 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) |
| Interim cash dividend at Rs. 4.0 per share - March 31, 2018 | - | - | - | - | - | - | (4,740,240) | (4,740,240) |
| Interim cash dividend at Rs. 4.0 per share - June 30, 2018 | - | - | - | - | - | - | (4,740,240) | (4,740,240) |
| | - | - | - | - | - | - | (14,220,720) | (14,220,720) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 40,148 | 40,148 |
| Surplus realized on disposal of revalued fixed assets - net of tax | - | - | - | - | - | - | 99,081 | 99,081 |
| Transferred to statutory reserve | - | - | - | - | 1,431,099 | - | (1,431,099) | - |
| Balance as at September 30, 2018 | 11,850,600 | 23,751,114 | 908,317 | 1,009,673 | 28,554,148 | 18,600,000 | 51,895,216 | 136,569,066 |

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

Yahya Saleem
Director

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 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 1,356 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:

Assets

Cash in Hand
Operating fixed assets
Other assets

(Rupees in '000)

| |
|--------------|
| 722,679 |
| 175,751 |
| 59,788 |
| 958,218 |
| 1,214,210 |
| 21,918,326 |
| 39,862 |
| 23,172,398 |
| (22,214,180) |

Liabilities

Bills payable
Deposits and other accounts
Other liabilities

Net amount paid to MIB

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. 124.2492 per US Dollar (December 31, 2017: Rs.110.4172) has been used.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 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 statements. 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 this unconsolidated condensed interim financial statements 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 nine months period ended September 30, 2018



7. LENDINGS TO FINANCIAL INSTITUTIONS

September 30, 2018
December 31, 2017
----- (Rupees in '000) -----

| | | |
|-------------------------------|--------------------|------------------|
| Call money lendings | 2,564,015 | 3,779,086 |
| Repurchase agreement lendings | 139,589,141 | 619,028 |
| | 142,153,156 | 4,398,114 |

8. INVESTMENTS - NET

8.1 Investments by types

| September 30, 2018 | | | |
|----------------------------|--------------------|---------------------|--------------------|
| Note | Held by bank | Given as collateral | Total |
| ----- Rupees in '000 ----- | | | |
| | 2,033,638 | - | 2,033,638 |
| 8.2 | 400,938,307 | 14,913,803 | 415,852,110 |
| | 29,679,978 | - | 29,679,978 |
| | 432,651,923 | 14,913,803 | 447,565,726 |
| 8.3 | 700,401 | - | 700,401 |
| | 12,046,512 | - | 12,046,512 |
| | 12,746,913 | - | 12,746,913 |
| | 445,398,836 | 14,913,803 | 460,312,639 |
| | (5,695,235) | - | (5,695,235) |
| | 439,703,601 | 14,913,803 | 454,617,404 |
| | (465,053) | 46,054 | (418,999) |
| | (8,012) | - | (8,012) |
| | 439,230,536 | 14,959,857 | 454,190,393 |

Less: Provision for diminution in the value of investments

Investments (net of provisions)

Surplus / (deficit) on revaluation of available for sale securities - net

Surplus / (deficit) on revaluation of held-for-trading securities - net

Investments at revalued amounts - net of provisions

December 31, 2017

| | Held by bank | Given as collateral | Total |
|-----|----------------------------|---------------------|--------------------|
| | ----- Rupees in '000 ----- | | |
| 8.2 | 34,371 | - | 34,371 |
| | 522,021,853 | 88,919,726 | 610,941,579 |
| | 33,325,712 | - | 33,325,712 |
| | 555,381,936 | 88,919,726 | 644,301,662 |
| 8.3 | 748,172 | - | 748,172 |
| | 10,846,512 | - | 10,846,512 |
| | 11,594,684 | - | 11,594,684 |
| | 566,976,620 | 88,919,726 | 655,896,346 |
| | (5,985,708) | - | (5,985,708) |
| | 560,990,912 | 88,919,726 | 649,910,638 |
| | 7,083,091 | (24,445) | 7,058,646 |
| | (5,652) | - | (5,652) |
| | 568,068,351 | 88,895,281 | 656,963,632 |

Less: Provision for diminution in the value of investments

Investments (net of provisions)

Surplus / (deficit) on revaluation of available for sale securities - net

Surplus / (deficit) on revaluation of held-for-trading securities - net

Investments at revalued amounts - net of provisions

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 September 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 September 30, 2018 amounted to Rs. 3,147.200 million (December 31, 2017: Rs. 3,906.139 million).

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2018



| 9. ADVANCES - NET | Note | September 30, 2018 | December 31, 2017 |
|---|------|------------------------------|----------------------|
| | | ----- (Rupees in '000) ----- | |
| Loans, cash credits, running finances, etc | | | |
| - In Pakistan | | 486,159,596 | 463,689,530 |
| - Outside Pakistan | | 25,452,211 | 24,828,547 |
| | | 511,611,807 | 488,518,077 |
| Net Investment in finance lease | | | |
| - In Pakistan | | 4,267,654 | 4,176,737 |
| - Outside Pakistan | | 81,110 | 94,544 |
| | | 4,348,764 | 4,271,281 |
| Bills discounted and purchased (excluding treasury bills) | | | |
| - Payable in Pakistan | | 6,554,860 | 6,966,964 |
| - Payable outside Pakistan | | 8,889,315 | 15,301,533 |
| | | 15,444,175 | 22,268,497 |
| | | 531,404,746 | 515,057,855 |
| Advances - gross | | | |
| Less: Provision against loans and advances | | | |
| - Specific provision | 9.1 | (42,698,289) | (44,586,915) |
| - General provision | 9.2 | (531,405) | (503,682) |
| - General provision against consumer loans & small enterprise loans | 9.3 | (524,270) | (533,795) |
| - General provision by overseas operations | 9.4 | (150,263) | (77,614) |
| | | (43,904,227) | (45,702,006) |
| | | 487,500,519 | 469,355,849 |

9.1 Advances include Rs. 47,079.523 million (December 31, 2017: Rs. 48,752.620 million) which have been placed under non-performing status as detailed below:

| Note | | September 30, 2018 | | | | |
|---|-------|--------------------------------|-----------|------------|-----------------------------------|-------------------------------|
| 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 | 152,399 | - | 152,399 | 9,673 | 9,673 |
| Substandard | | 863,063 | 40,490 | 903,553 | 212,431 | 212,431 |
| Doubtful | | 289,231 | 42,482 | 331,713 | 163,860 | 163,860 |
| Loss | | 39,102,809 | 6,589,049 | 45,691,858 | 42,312,325 | 42,312,325 |
| | | 40,407,502 | 6,672,021 | 47,079,523 | 42,698,289 | 42,698,289 |
| 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 | | 41,869,272 | 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.

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 Exposure amounting to Rs. 1,750 million relating to Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan has not been classified as non performing, in accordance with a relaxation given by the SBP. However, unrealized markup income has been suspended on this amount.

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

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2018



| 10. OPERATING FIXED ASSETS | September 30, 2018 | December 31, 2017 |
|--|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| Capital work-in-progress | 1,431,461 | 935,158 |
| Property and equipment | 38,667,006 | 38,234,448 |
| Intangible asset | 411,122 | 404,326 |
| | 40,509,589 | 39,573,932 |
| 10.1. Additions and disposals during the period amounted to Rs. 3,115.234 million (September 30, 2017: Rs. 3,118.135 million) and Rs. 496.097 million (September 30, 2017: Rs. 9.712 million), respectively. | | |
| 11. BORROWINGS | September 30, 2018 | December 31, 2017 |
| | ----- (Rupees in '000) ----- | |
| In Pakistan | 52,129,872 | 126,988,022 |
| Outside Pakistan | 3,706,918 | 6,081,534 |
| | 55,836,790 | 133,069,556 |
| 11.1. Details of borrowings (secured / unsecured) | | |
| Secured | | |
| Borrowings from State Bank of Pakistan | | |
| Export refinance scheme | 19,559,023 | 24,676,099 |
| Long term financing facility | 13,572,638 | 12,797,076 |
| Refinance Facility for modernization of SME | 10,070 | 100,866 |
| Renewable energy performance platform | 29,211 | 3,680 |
| Financing facility for storage of agricultural produce | 158,985 | 254,045 |
| | 33,329,927 | 37,831,766 |
| Repurchase agreement borrowings | 14,741,586 | 88,849,251 |
| | 48,071,513 | 126,681,017 |
| Unsecured | | |
| Borrowings from other financial institutions | 1,139,736 | 1,831,801 |
| Call borrowings | 5,257,138 | 3,285,818 |
| Foreign borrowings payable in local currency | 162,286 | 162,286 |
| Overdrawn nostro accounts | 1,206,117 | 1,108,634 |
| | 7,765,277 | 6,388,539 |
| | 55,836,790 | 133,069,556 |
| 12. DEPOSITS AND OTHER ACCOUNTS | | |
| Customers | | |
| Fixed deposits | 77,546,465 | 66,914,022 |
| Savings deposits | 543,829,322 | 513,309,328 |
| Current accounts | 375,353,640 | 356,577,624 |
| Margin accounts | 9,974,094 | 9,970,532 |
| | 1,006,703,521 | 946,771,506 |
| Financial institutions | | |
| Remunerative deposits | 17,106,160 | 11,175,786 |
| Non-remunerative deposits | 8,839,617 | 10,535,343 |
| | 25,945,777 | 21,711,129 |
| | 1,032,649,298 | 968,482,635 |
| | 3,891,798 | 3,892,578 |

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".

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2018



| | September 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 | 999,890 | 1,025,234 |
| Surplus on revaluation of Non-banking assets | 75,273 | 75,273 |
| Accelerated tax depreciation | 1,537,081 | 1,534,613 |
| Receivable from pension fund | 1,062,228 | 2,096,688 |
| Business combination | 705,218 | 705,218 |
| Surplus / deficit on revaluation of securities | - | 2,470,526 |
| | 4,379,690 | 7,907,552 |
| Deductible temporary differences on: | | |
| Surplus / deficit on revaluation of securities | (146,650) | - |
| Provision for bad debts | (2,095,209) | (3,282,517) |
| | (2,241,859) | (3,282,517) |
| | 2,137,831 | 4,625,035 |
| 15. CONTINGENCIES AND COMMITMENTS | | |
| 15.1 Direct credit substitutes | | |
| Contingent liabilities in respect of guarantees given favouring | | |
| - Government | 103,769,223 | 73,747,315 |
| - Banks and financial institutions | 4,423,584 | 5,345,816 |
| - Others | 7,775,627 | 6,226,506 |
| | 115,968,434 | 85,319,637 |
| 15.2 Transaction-related contingent liabilities | | |
| Guarantees in favour of: | | |
| - Government | 30,820,550 | 28,536,667 |
| - Banks and financial institutions | 86,058 | 80,377 |
| - Others | 18,637,319 | 16,788,987 |
| - Suppliers credit / payee guarantee | 2,407,107 | 1,992,913 |
| | 51,951,034 | 47,398,944 |
| | 149,109,260 | 143,773,637 |
| 15.3 Trade-related contingent liabilities | | |
| 15.4 Other contingencies | | |
| Claims against the Bank not acknowledged as debts | 11,574,494 | 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. | | |
| | September 30, 2018 | December 31, 2017 |
| | ----- (Rupees in '000) ----- | |
| 15.6 Commitments in respect of forward foreign exchange contracts | | |
| Purchase | 117,370,618 | 85,101,993 |
| Sale | 93,375,215 | 75,210,455 |
| | 459,620 | 96,399 |
| 15.7 Commitments for the acquisition of fixed assets | | |
| 15.8 Other commitments | | |
| FX options (notional amount) | | |
| Purchase | 1,766,409 | 865,718 |
| Sale | 1,766,409 | 865,718 |
| | 7,199,908 | 3,232,144 |
| Cross Currency Swaps (Notional) | 316,500 | 316,500 |
| Interest Rate Swaps (Notional) | 8,305,000 | 7,000,000 |
| Outright purchase of Government Securities | | |

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 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. 1,399 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 | | |
| | September 30, 2018 | December 31, 2017 |
| | ----- (Rupees in '000) ----- | |
| 16.1. Liquidity Coverage Ratio | | |
| High quality liquid assets | 600,402,888 | 608,139,885 |
| Net cash outflows | 338,609,320 | 313,260,304 |
| Liquidity Coverage ratio (%) | 177.31% | 194.13% |
| 16.2. Net Stable Funding Ratio | | |
| Available stable funding | 884,853,061 | 814,278,652 |
| Required stable funding | 681,447,084 | 632,207,998 |
| Net Stable Funding Ratio (%) | 129.85% | 128.80% |
| | Nine months ended | |
| | September 30, 2018 | September 30, 2017 |
| | ---- (Rupees in '000) ---- | |
| 17. GAIN ON SALE OF SECURITIES - NET | | |
| Federal Government Securities | | |
| -Market Treasury Bills | 28,305 | 4,476 |
| -Pakistan Investment Bonds | 93,839 | 862,879 |
| Other securities | 98 | 25,575 |
| Listed Shares | 1,030,585 | 3,264,705 |
| | 1,152,827 | 4,157,635 |
| 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. | | |
| | Nine months ended | |
| | September 30, 2018 | September 30, 2017 |
| | ---- (Rupees in '000) ---- | |
| 19. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX | | |
| Profit after taxation | 14,310,990 | 19,138,491 |
| | (Number of shares) | |
| Weighted average number of shares outstanding during the period | 1,185,060,006 | 1,135,457,440 |
| | (Rupees) | |
| Basic and diluted Earnings per share - after tax | 12.08 | 16.86 |
| 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 nine months period ended September 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 the investee.

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 | | | | | | | |
|--|-------------------|--------------------|--------------------|-------------------|--------------------|----------|--------------------|
| September 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 | 70,288 | - | 70,288 | 23,745 | - | - | 23,745 |
| - Market Treasury Bills | - | 1,955,338 | 1,955,338 | - | 4,974 | - | 4,974 |
| | 70,288 | 1,955,338 | 2,025,626 | 23,745 | 4,974 | - | 28,719 |
| Available-for-sale securities | | | | | | | |
| - Market Treasury Bills | - | 273,756,646 | 273,756,646 | - | 384,269,158 | - | 384,269,158 |
| - Pakistan Investment Bonds | - | 114,789,188 | 114,789,188 | - | 205,771,813 | - | 205,771,813 |
| - Shares in listed companies & REIT | 18,771,749 | - | 18,771,749 | 19,137,625 | - | - | 19,137,625 |
| - NIT units | 7,640 | - | 7,640 | 7,805 | - | - | 7,805 |
| - Units in open end mutual funds | 288,227 | - | 288,227 | 555,479 | - | - | 555,479 |
| - Sukuks | - | 954,784 | 954,784 | - | 743,043 | - | 743,043 |
| - Term Finance Certificates (TFCs) | - | 303,840 | 303,840 | - | 612,857 | - | 612,857 |
| | 19,067,616 | 389,804,458 | 408,872,074 | 19,700,909 | 591,396,871 | - | 611,097,780 |
| Non - Financial Assets measured at fair value | | | | | | | |
| Operating fixed assets (land and buildings) | - | 32,942,210 | 32,942,210 | - | 32,414,791 | - | 32,414,791 |
| Non-banking assets | - | 3,928,352 | 3,928,352 | - | 4,310,611 | - | 4,310,611 |
| Off balance sheet financial instruments | | | | | | | |
| FX options purchase and sale | - | 3,532,818 | 3,532,818 | - | 1,731,436 | - | 1,731,436 |
| Cross currency swaps | - | 7,225,152 | 7,225,152 | - | 3,247,345 | - | 3,247,345 |
| Interest Rate Swaps | - | 321,119 | 321,119 | - | 311,792 | - | 311,792 |
| Foreign exchange contracts purchase and sale | - | 210,105,355 | 210,105,355 | - | 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 nine months period ended September 30, 2018



22 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

| | Nine months ended September 30, 2018 | | | | | |
|---|--------------------------------------|-------------------|---------------------------|--------------------|---------------------------|---------------|
| | Corporate Finance | Trading and Sales | Retail & Consumer Banking | Commercial Banking | Inter segment elimination | Total |
| | ------(Rupees in '000)----- | | | | | |
| Total income | 45,503 | 6,620,487 | 30,215,092 | 8,786,156 | - | 45,667,238 |
| Total expenses | (22,361) | (1,396,456) | (19,041,025) | (1,892,142) | - | (22,351,984) |
| Income tax expense | - | - | - | - | - | (9,004,264) |
| Net income | 23,142 | 5,224,031 | 11,174,067 | 6,894,014 | - | 14,310,990 |
| Segment assets - (Gross of NPLs Provisions) | 160,379 | 691,961,525 | 1,110,495,565 | 500,358,637 | (970,863,153) | 1,332,112,953 |
| Advance taxation (payment less provision) | - | - | - | - | - | 6,561,266 |
| Total assets | 160,379 | 691,961,525 | 1,110,495,565 | 500,358,637 | (970,863,153) | 1,338,674,219 |
| Segment non performing loans | - | - | 12,690,843 | 34,388,680 | - | 47,079,523 |
| Segment specific provision required | - | - | 11,878,747 | 30,819,542 | - | 42,698,289 |
| Segment liabilities | 15,294 | 659,615,749 | 1,063,536,478 | 392,891,152 | (970,863,153) | 1,145,195,521 |
| Deferred tax liabilities - net | - | - | - | - | - | 2,137,831 |
| Total liabilities - net | 15,294 | 659,615,749 | 1,063,536,478 | 392,891,152 | (970,863,153) | 1,147,333,352 |
| Segment return on assets (ROA) (%) | 37.83% | 1.28% | 3.67% | 2.49% | - | - |
| Segment cost of fund (%) | - | 6.44% | 3.95% | 6.20% | - | - |

| | Nine months ended September 30, 2017 | | | | | |
|--|--------------------------------------|-------------|--------------|-------------|---------------|---------------|
| | (Rupees in '000) | | | | | |
| Total income | 164,109 | 13,101,449 | 26,495,467 | 5,551,300 | - | 45,312,325 |
| Total expenses | (43,609) | (3,015,627) | (15,710,036) | (544,072) | - | (19,313,344) |
| Income tax expense | - | - | - | - | - | (6,860,490) |
| Net income | 120,500 | 10,085,822 | 10,785,431 | 5,007,228 | - | 19,138,491 |
| Segment assets - (Gross of NPLs provision) | 720,259 | 767,370,471 | 996,789,552 | 390,002,823 | (811,085,468) | 1,343,797,637 |
| Advance taxation (payment less provision) | - | - | - | - | - | 9,054,209 |
| Deferred tax assets - net | - | - | - | - | - | 1,526,334 |
| Total assets | 720,259 | 767,370,471 | 996,789,552 | 390,002,823 | (811,085,468) | 1,354,378,180 |
| Segment non performing loans | - | - | 14,389,980 | 34,860,524 | - | 49,250,504 |
| Segment specific provision required | - | - | 13,613,212 | 31,307,175 | - | 44,920,387 |
| Segment liabilities | 80,137 | 704,752,409 | 976,571,395 | 282,650,156 | (811,085,468) | 1,152,968,629 |
| Total liabilities - net | 80,137 | 704,752,409 | 976,571,395 | 282,650,156 | (811,085,468) | 1,152,968,629 |
| Segment return on assets (ROA) (%) | 30.38% | 2.27% | 3.59% | 2.06% | - | - |
| Segment cost of fund (%) | - | 5.89% | 3.27% | 5.60% | - | - |

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 nine months period ended September 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 | |
|--|--------------------------------------|-------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
| | Nine months ended September 30, 2018 | Year ended Dec 31, 2017 | Nine months ended September 30, 2018 | Year ended Dec 31, 2017 | Nine months ended September 30, 2018 | Year ended Dec 31, 2017 | Nine months ended September 30, 2018 | Year ended Dec 31, 2017 | Nine months ended September 30, 2018 | Year ended Dec 31, 2017 |
| A. Balances | | | | | | | | | | |
| Deposits | | | | | | | | | | |
| Opening balance | 3,953,730 | 2,542,067 | 2,744,432 | 2,568,584 | 51,048 | 38,868 | 3,800,959 | 5,852,008 | 148,080 | 105,761 |
| Received during the period / year | 2,376,502 | 3,686,510 | 12,685,154 | 37,478,917 | 1,089,620 | 1,632,422 | 40,014,461 | 60,757,429 | 700,974 | 751,440 |
| Withdrawn during the period / year | (2,736,756) | (2,274,847) | (12,778,692) | (37,303,069) | (1,084,212) | (1,620,242) | (34,434,043) | (62,806,478) | (685,019) | (709,121) |
| Closing balance | 3,593,476 | 3,953,730 | 2,650,894 | 2,744,432 | 56,456 | 51,048 | 9,381,377 | 3,800,959 | 164,035 | 148,080 |
| Advances | | | | | | | | | | |
| Opening balance | - | 195 | - | - | 283,837 | 276,349 | 2,322,934 | 262,113 | 82,348 | 84,787 |
| Additions / adjustments during the period / year | - | - | - | - | 34,429 | 296,337 | 3,189,780 | 4,491,988 | 41,045 | 10,536 |
| Repaid / adjustments during the period / year | - | (195) | - | - | - | (278,849) | (4,468,522) | (2,431,167) | (16,574) | (12,975) |
| Closing balance | - | - | - | - | 328,266 | 293,837 | 1,044,192 | 2,322,934 | 106,819 | 82,348 |
| Lendings to Financial Institutions | | | | | | | | | | |
| Opening balance | - | - | - | - | 524,590 | - | - | - | - | - |
| Additions / adjustments during the period / year | - | - | - | - | 39,792,611 | 21,687,308 | - | - | - | - |
| Repaid / adjustments during the period / year | - | - | - | - | (39,685,850) | (21,162,718) | - | - | - | - |
| Closing balance | - | - | - | - | 631,351 | 524,590 | - | - | - | - |
| Borrowings | | | | | | | | | | |
| Opening balance | - | - | - | - | - | - | 993,755 | 936,788 | - | - |
| Additions / adjustments during the period / year | - | - | - | - | - | - | - | 1,356,987 | - | - |
| Repaid / adjustments during the period / year | - | - | - | - | - | - | (993,755) | (1,300,000) | - | - |
| Closing balance | - | - | - | - | - | - | - | 993,755 | - | - |
| Other Balances | | | | | | | | | | |
| Outstanding balance of credit cards | 411 | 946 | - | - | - | - | 79 | 1,674 | 1,289 | 1,819 |
| Receivable from Pension Fund | - | - | - | - | - | - | 3,034,941 | 5,990,537 | - | - |
| Commitments and contingent liabilities - outstanding | - | - | 8,337 | 9,840 | - | - | 4,280,627 | 976,586 | - | - |
| Forward foreign exchange contracts (Notional) - outstanding | - | - | - | - | 1,643,180 | 577,292 | 9,744,479 | 17,562,997 | - | - |
| Forward purchase of government securities | - | - | - | - | - | - | 8,305,000 | - | - | - |
| Unrealized gain / (loss) on forward foreign exchange contracts - outstanding | - | - | - | - | 5,132 | (5,072) | 10,986 | 68,442 | - | - |
| Overdrawn nostro balance | - | - | - | - | 5,836 | 39,993 | - | - | - | - |
| Trade payable | - | - | 58,953 | 39,730 | - | - | - | - | - | - |
| Markup payable | 20,855 | 12,586 | 14,045 | 8,063 | 198 | 144 | 32,803 | 22,553 | 275 | 113 |
| Other payable | 3,336 | 5,401 | 2,605 | 37 | 34,001 | 20,415 | 36,415 | 559 | - | - |
| Other advances | - | - | 895 | 3,199 | - | - | 27,929 | 27,929 | - | - |
| Markup receivable | - | - | - | - | 7,487 | 9,604 | 34,816 | 14,968 | 2,376 | 589 |
| Other receivable | - | - | 299 | 557 | 42,368 | 16,202 | 1,350 | 1,620 | - | - |
| Commission and management service fee receivable | - | - | 45,642 | 50,341 | 2,296 | 2,565 | - | - | - | - |
| Advance received against sale of property | - | - | - | - | 20,000 | 20,000 | - | - | - | - |

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2018

B. Transactions during the period

| | Directors | | Associates | | Subsidiary Companies | | Other Related Parties | | Key Management | |
|---|--------------------|--------------------|--------------------|--------------------|----------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
| | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Investment made during the period | | | | | | | | | | |
| Payment against scheme of demerger | - | - | - | - | 1,200,000 | - | - | - | - | - |
| Insurance premium-net of refund | - | - | 539,822 | 536,424 | 22,214,180 | - | - | - | - | - |
| Insurance claim settled | - | - | 199,920 | 10,777 | - | - | - | - | - | - |
| Markup income on advances and lendings | 38 | 2 | - | - | 127,878 | 64,256 | 61,235 | 51,439 | 6,100 | 5,089 |
| Forward exchange contracts matured during the period | - | - | - | - | - | - | 81,111,610 | 39,909,556 | - | - |
| Gain / (loss) on forward foreign exchange contracts matured during the period | - | - | - | - | - | - | 325,234 | 214,254 | - | - |
| Dividend income | - | - | - | 189,755 | - | 55,435 | 6,800 | 16,320 | - | - |
| Commission and management service fee | - | - | 140,000 | 708,852 | 27,464 | 116,470 | 5,977 | 7,993 | - | - |
| Rent income and reimbursement of other expenses | - | - | 795,831 | 2,506 | 23,913 | 8,806 | 2,430 | 2,430 | - | - |
| Outsourcing service expenses | - | - | 163,829 | 130,287 | - | - | - | - | - | - |
| Sale of foreign currency | - | - | - | - | 13,130,782 | 6,973,768 | - | - | - | - |
| Purchase of foreign currency | - | - | - | - | 8,131,651 | 2,775,076 | - | - | - | - |
| Proceeds from sale of fixed assets | 1,999 | - | - | - | - | - | - | - | - | - |
| Gain / (loss) on sale of fixed assets | - | - | - | - | - | - | 116,867 | 56,771 | - | - |
| Cash sorting expenses | - | - | - | - | - | - | 163,951 | 132,112 | - | - |
| Stationery expenses | - | - | - | - | - | - | 301,542 | 292,429 | - | - |
| Security guards expenses | - | - | - | - | - | - | - | - | - | - |
| Remuneration and non-executive directors fee | - | - | - | - | - | - | - | - | - | - |
| Mark-up expense | 112,995 | 106,711 | - | - | - | - | - | - | 359,659 | 369,239 |
| Clearing expenses paid to NIFT | 137,291 | 74,902 | 70,110 | 52,349 | 1,235 | 508 | 169,748 | 118,207 | 1,449 | 1,100 |
| Contribution to provident fund | - | - | - | - | - | - | 111,119 | 95,163 | - | - |
| Rent and other expenses | - | - | - | 1,448 | 6,480 | 5,891 | 38,212 | 40,020 | - | - |
| Sale of government securities | - | - | 3,418,206 | 5,489,632 | - | - | 213,941,809 | 10,226,740 | 20,876 | - |
| Purchase of government securities | - | - | 4,756,004 | 3,923,498 | - | - | 214,052,477 | 9,295,593 | 19,993 | - |
| Gain / (loss) on sale of government securities | - | - | - | 47 | - | - | - | 197 | 0.2 | - |
| Payments against home remittances | - | - | 52 | - | - | - | 44,755 | - | - | - |
| Miscellaneous expenses and payments | - | - | - | - | 1,086,675 | - | - | - | - | - |
| | - | - | - | - | 9,885 | 18,230 | 51,534 | 59,291 | - | - |

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 nine months period ended September 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 October 24, 2018 has announced cash dividend in respect of the nine months period ended September 30, 2018 of Rs. 4.00 per share (September 30, 2017: Rs. 4.00 per share). These unconsolidated condensed interim financial statements for the nine months period ended September 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 October 24, 2018.


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer


Yahya Saleem
Director


Mian Umer Mansha
Director


Muhammad Ali Zeb
Director



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MCB BANK LIMITED

(Consolidated Condensed Interim Financial Statements for the nine months period ended September 30, 2018)

MCB Bank Limited & Subsidiary Companies

Consolidated Condensed Interim Statement of Financial Position

As at September 30, 2018



| | | |
|------|---|--|
| Note | Unaudited September 30, 2018 | Audited December 31, 2017 |
|------|---|--|

----- (Rupees in '000) -----

Assets

| | | | |
|---------------------------------------|----|----------------------|----------------------|
| Cash and balances with treasury banks | | 136,152,088 | 109,462,902 |
| Balances with other banks | | 7,870,887 | 7,348,882 |
| Lendings to financial institutions | 7 | 143,271,805 | 5,273,524 |
| Investments - net | 8 | 459,192,984 | 660,070,246 |
| Advances - net | 9 | 545,517,262 | 500,965,801 |
| Operating fixed assets | 10 | 43,949,334 | 42,565,448 |
| Deferred tax assets - net | | - | - |
| Other assets - net | | 36,725,965 | 47,743,647 |
| | | 1,372,680,325 | 1,373,430,450 |

Liabilities

| | | | |
|---|----|----------------------|----------------------|
| Bills payable | | 13,432,760 | 22,994,877 |
| Borrowings | 11 | 62,366,498 | 140,462,138 |
| Deposits and other accounts | 12 | 1,096,689,005 | 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 | 2,685,969 | 5,661,073 |
| Other liabilities | | 42,652,401 | 42,730,541 |
| | | 1,221,718,431 | 1,216,887,369 |

Net assets

Represented by

| | | | |
|---|--|--------------------|--------------------|
| Share capital | | 11,850,600 | 11,850,600 |
| Reserves | | 73,018,404 | 71,027,912 |
| Unappropriated profit | | 52,764,990 | 55,221,069 |
| Total equity attributable to the equity holders of the Bank | | 137,633,994 | 138,099,581 |
| Non-controlling interest | | 778,804 | 580,656 |
| | | 138,412,798 | 138,680,237 |
| Surplus on revaluation of assets - net of tax | | 12,549,096 | 17,862,844 |
| | | 150,961,894 | 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

Imran Maqbool
President / CEO

Hammad Khalid

Hammad Khalid
Chief Financial Officer

Yahya Saleem

Yahya Saleem
Director

Mian Umer Mansha

Mian Umer Mansha
Director

Muhammad Ali Zeb

Muhammad Ali Zeb
Director

MCB Bank Limited & Subsidiary Companies

Consolidated Condensed Interim Profit and Loss Account (Un-audited) For the nine months period ended September 30, 2018



| | Note | Quarter ended September 30, 2018 | Nine months ended September 30, 2018 | Quarter ended September 30, 2017 | Nine months ended September 30, 2017 |
|--|------|--|---|--|---|
| | | ------(Rupees in '000) ----- | | | |
| Mark-up / return / interest earned | | 22,261,796 | 61,534,246 | 20,097,585 | 56,894,828 |
| Mark-up / return / interest expensed | | 10,387,831 | 26,401,364 | 8,313,601 | 24,580,169 |
| Net mark-up / interest income | | 11,873,965 | 35,132,882 | 11,783,984 | 32,314,659 |
| Provision / (reversal) against loans and advances - net | | (486,320) | (1,910,064) | (528,740) | (2,469,249) |
| Provision / (reversal) for diminution in the value of investments - net | | 268,467 | 295,800 | (11,703) | 575,404 |
| Bad debts written off directly | | 7 | 30 | - | 14 |
| | | (217,846) | (1,614,234) | (540,443) | (1,893,831) |
| Net mark-up / interest income after provisions | | 12,091,811 | 36,747,116 | 12,324,427 | 34,208,490 |
| Non mark-up / interest income | | | | | |
| Fee, commission and brokerage income | | 2,714,535 | 8,302,696 | 2,579,534 | 7,533,178 |
| Dividend income | | 194,307 | 724,689 | 388,600 | 1,003,452 |
| Income from dealing in foreign currencies | | 356,423 | 1,356,808 | 379,543 | 1,101,265 |
| Gain on sale of securities - net | 16 | (9,751) | 977,302 | 858,812 | 4,105,789 |
| Unrealized gain/(loss) on revaluation of investments classified as held for trading | | 5,127 | (8,236) | 36,647 | (5,973) |
| Other income | | 410,140 | 924,414 | 121,565 | 449,747 |
| Total non mark-up / interest income | | 3,670,781 | 12,277,673 | 4,364,701 | 14,187,458 |
| | | 15,762,592 | 49,024,789 | 16,689,128 | 48,395,948 |
| Non mark-up / interest expenses | | | | | |
| Administrative expenses | 17 | 8,959,027 | 27,186,042 | 8,222,640 | 21,623,621 |
| Other provision / (reversal) - net | | (14,899) | (714,499) | (4,909) | 555,078 |
| Other charges | | 179,026 | 579,932 | 213,563 | 635,891 |
| Total non mark-up / interest expenses | | 9,123,154 | 27,051,475 | 8,431,294 | 22,814,590 |
| Profit before extra ordinary / unusual item and taxation | | 6,639,438 | 21,973,314 | 8,257,834 | 25,581,358 |
| Extraordinary / unusual item | | - | - | - | - |
| Share of profit of associates | | 119,501 | 477,014 | 139,665 | 494,867 |
| Profit before taxation | | 6,758,939 | 22,450,328 | 8,397,499 | 26,076,225 |
| Taxation - current period | | 2,811,034 | 8,529,570 | (328,127) | 5,881,013 |
| - prior years | | - | - | - | (2,175,828) |
| - deferred | | (244,847) | 103,294 | 3,177,732 | 3,144,515 |
| Share of tax of associates | | 40,469 | 193,959 | 36,543 | 103,671 |
| | | 2,606,656 | 8,826,823 | 2,886,148 | 6,953,371 |
| Profit after taxation | | 4,152,283 | 13,623,505 | 5,511,351 | 19,122,854 |
| Profit attributable to non-controlling interest | | (264) | (47,817) | (19,880) | (76,148) |
| Profit attributable to equity shareholders of the Bank | | 4,152,019 | 13,575,688 | 5,491,471 | 19,046,706 |
| | | ----- (In Rupees) ----- | | | |
| Earnings per share - basic and diluted | 18 | 3.50 | 11.46 | 4.66 | 16.77 |

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

Imran Maqbool

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President / CEO

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Chief Financial Officer

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Yahya Saleem
Director

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Director

Muhammad Ali Zeb

Muhammad Ali Zeb
Director

MCB Bank Limited & Subsidiary Companies

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited) For the nine months period ended September 30, 2018



| | Quarter ended September 30, 2018 | Nine months ended September 30, 2018 | Quarter ended September 30, 2017 | Nine months ended September 30, 2017 |
|--|--|---|--|---|
| | ------(Rupees in '000) ----- | | | |
| Profit after tax for the period | 4,152,283 | 13,623,505 | 5,511,351 | 19,122,854 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit and loss account | | | | |
| Remeasurement of defined benefit plans - net of tax | - | (679,241) | - | (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 | (98,388) | 552,156 | 46,961 | (14,538) |
| - Non-controlling interest | 3 | 34 | 3 | 416 |
| | (98,385) | 552,190 | 46,964 | (14,122) |
| Share of exchange translation reserve of associate | 5,663 | 7,237 | 874 | (20,307) |
| Comprehensive income transferred to equity | 4,059,561 | 13,503,691 | 5,559,189 | 18,445,971 |
| Components of comprehensive income not reflected in equity | | | | |
| Net change in fair value of available for sale securities | (2,996,741) | (7,583,497) | (6,443,041) | (8,588,756) |
| Deferred tax | 952,872 | 2,562,916 | 1,886,005 | 2,976,613 |
| | (2,043,869) | (5,020,581) | (4,557,036) | (5,612,143) |
| Total comprehensive income for the period | 2,015,692 | 8,483,110 | 1,002,153 | 12,833,828 |

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

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Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)
For the nine months period ended September 30, 2018



Cash flows from operating activities

Profit before taxation
Less: Dividend income & share of profit of associates

Adjustments for:

Depreciation
Amortization
Bad debts written off directly
Provision / (reversal) against loans and advances - net
Provision / (reversal) for diminution in the value of investments - net
Other provision / (reversal) - net
Provision for Workers' Welfare Fund
Charge / (reversal) for defined benefit plans
Unrealized loss on revaluation of investments classified as held for trading
Gain on sale of shares in associate
Gain on disposal of fixed assets - net

(Increase) / decrease in operating assets

Lendings to financial institutions
Net investment in held for trading securities
Advances - net
Other assets - net

Increase / (decrease) in operating liabilities

Bills payable
Borrowings
Deposits and other accounts
Other liabilities

Defined benefits paid
Income tax paid

Net cash flows from operating activities

Cash flows from investing activities

Net investments in available-for-sale securities
Net investments in held-to-maturity securities
Dividend income received
Net cash inflow on amalgamation
Proceeds from divestment in associate
Sale proceeds of property and equipment disposed off
Investment in operating fixed assets

Net cash flows from investing activities

Cash flows from financing activities

Repayment of subordinated loan
Dividend paid

Net cash flows from financing activities

Exchange difference on translation of net investment in foreign branches & subsidiaries

Increase in cash and cash equivalents

Cash and cash equivalents at January 1

Cash and cash equivalents at September 30

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

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Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2018



| | Capital Reserves | | | | Revenue Reserves | | | Total | Non-controlling interest | Total |
|---|------------------|---------------|-----------------------------------|------------------------------|-------------------|-----------------|-----------------------|--------------|--------------------------|--------------|
| | 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 | 9,924,438 | - | 84,593 | 24,903,602 | 18,600,000 | 55,509,013 | 120,151,953 | 509,331 | 120,661,284 |
| Change in equity for nine months ended September 30, 2017 | | | | | | | | | | |
| Total comprehensive income for the nine months ended September 30, 2017 | | | | | | | | | | |
| Profit after taxation for the nine months period ended September 30, 2017 | - | - | - | - | - | - | 19,046,706 | 19,046,706 | 76,148 | 19,122,854 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (642,454) | (642,454) | - | (642,454) |
| Share of exchange translation reserve of associate | - | - | - | (20,307) | - | - | - | (20,307) | - | (20,307) |
| Exchange differences on translation of net investment in foreign branches & subsidiaries | - | - | - | (14,538) | - | - | - | (14,538) | 416 | (14,122) |
| Transactions with owners recognized directly in equity | - | - | - | (34,845) | - | - | 18,404,252 | 18,369,407 | 76,564 | 18,445,971 |
| 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) |
| Interim cash dividend at Rs. 4.0 per share - June 30, 2017 | - | - | - | - | - | - | (4,740,240) | (4,740,240) | - | (4,740,240) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | (13,644,486) | (13,644,486) | - | (13,644,486) |
| Share of dividend attributable to Non-controlling interest | - | - | - | - | - | - | 41,169 | 41,169 | - | 41,169 |
| Transferred to statutory reserve | - | - | - | - | 1,913,849 | - | (1,913,849) | - | - | - |
| Shares issued under amalgamation scheme (note 1.1) | 720,293 | 14,048,586 | - | - | - | - | - | 14,768,879 | - | 14,768,879 |
| Gain on bargain purchase arising on amalgamation of NIB Bank Limited (note 1.1) | - | - | 520,282 | - | - | - | - | 520,282 | - | 520,282 |
| Balance as at September 30, 2017 | 11,850,600 | 23,973,024 | 520,282 | 49,748 | 26,817,451 | 18,600,000 | 58,396,099 | 140,207,204 | 533,330 | 140,740,534 |
| Change in equity for three months ended December 31, 2017 | | | | | | | | | | |
| Total comprehensive income for the three months ended December 31, 2017 | | | | | | | | | | |
| Profit after taxation for the three months period ended December 31, 2017 | - | - | - | - | - | - | 2,916,440 | 2,916,440 | 8,470 | 2,924,910 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (932,300) | (932,300) | - | (932,300) |
| Share of exchange translation reserve of associate | - | - | - | 71 | - | - | - | 71 | - | 71 |
| Exchange differences on translation of net investment in foreign branches & subsidiaries | - | - | - | 347,260 | - | - | - | 347,260 | 26 | 347,286 |
| Transactions with owners recognized directly in equity | - | - | - | 347,331 | - | - | 1,984,140 | 2,331,471 | 8,496 | 2,339,967 |
| Interim cash dividend at Rs. 4.0 per share - September 30, 2017 | - | - | - | - | - | - | (4,740,240) | (4,740,240) | - | (4,740,240) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | 13,267 | 13,267 | - | 13,267 |
| 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 | - | - | - | - | 332,041 | - | (332,041) | - | - | - |
| Gain on bargain purchase arising on amalgamation of NIB Bank Limited | - | - | 388,035 | - | - | - | - | 388,035 | - | 388,035 |
| 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 nine months ended September 30, 2018 | | | | | | | | | | |
| Total comprehensive income for the nine months ended September 30, 2018 | | | | | | | | | | |
| Profit after taxation for the nine months period ended September 30, 2018 | - | - | - | - | - | - | 13,575,688 | 13,575,688 | 47,817 | 13,623,505 |
| Remeasurement of defined benefit plans - net of tax | - | - | - | - | - | - | (679,241) | (679,241) | - | (679,241) |
| Share of exchange translation reserve of associate | - | - | - | 7,237 | - | - | - | 7,237 | - | 7,237 |
| Exchange differences on translation of net investment in foreign branches & subsidiaries | - | - | - | 552,156 | - | - | - | 552,156 | 34 | 552,190 |
| Transactions with owners recognized directly in equity | - | - | - | 559,393 | - | - | 12,896,447 | 13,455,840 | 47,851 | 13,503,691 |
| 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) |
| Interim cash dividend at Rs. 4.0 per share - June 30, 2018 | - | - | - | - | - | - | (4,740,240) | (4,740,240) | - | (4,740,240) |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | - | - | (14,220,720) | (14,220,720) | - | (14,220,720) |
| Impact of reclassification of available for sale investments to fair value through profit and loss category by a subsidiary | - | - | - | - | - | - | 40,781 | 40,781 | - | 40,781 |
| Surplus realized on disposal of revalued fixed assets - net of tax | - | - | - | - | - | - | 158,980 | 158,980 | 150,748 | 309,728 |
| Adjustment in Non-controlling interest | - | - | - | - | - | - | 99,081 | 99,081 | - | 99,081 |
| Transferred to statutory reserve | - | - | - | - | 1,431,099 | - | (1,431,099) | - | (451) | - |
| Balance as at September 30, 2018 | 11,850,600 | 23,973,024 | 908,317 | 956,472 | 28,580,591 | 18,600,000 | 52,764,990 | 137,633,994 | 778,804 | 138,412,798 |

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

Imran Maqbool

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President / CEO

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Chief Financial Officer

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Yahya Saleem
Director

Mian Umer Mansha

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Muhammad Ali Zeb
Director



Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2018

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company
- 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

"Percentage holding of
MCB Bank 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 1,356 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 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

Liabilities

Bills payable
Deposits and other accounts
Other liabilities

Net amount paid to MIB

(Rupees in '000)

| |
|--------------|
| 722,679 |
| 175,751 |
| 59,788 |
| 958,218 |
| 1,214,210 |
| 21,918,326 |
| 39,862 |
| 23,172,398 |
| (22,214,180) |

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 September 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 September 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.

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.



Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2018

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. 124.2492 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 these consolidated condensed interim financial statements. 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 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 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 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 condensed financial statements.

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.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2018



7. LENDINGS TO FINANCIAL INSTITUTIONS

| | September 30, 2018 | December 31, 2017 |
|--|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| Call money lendings | 2,564,015 | 3,254,496 |
| Repurchase agreement lendings | 139,589,141 | 619,028 |
| Other lendings to financial institutions | 1,118,649 | 1,400,000 |
| | 143,271,805 | 5,273,524 |

| September 30, 2018 | | | |
|---|----------------------------|---------------------|--------------------|
| Note | Held by bank | Given as collateral | Total |
| | ----- Rupees in '000 ----- | | |
| 8. INVESTMENTS - NET | | | |
| 8.1 Investments by types | | | |
| Held-for-trading securities | 3,193,520 | - | 3,193,520 |
| Available-for-sale securities | 413,462,849 | 14,913,803 | 428,376,652 |
| Held-to-maturity securities | 30,542,478 | - | 30,542,478 |
| | 447,198,847 | 14,913,803 | 462,112,650 |
| Associates | | | |
| - Adamjee Insurance Company Limited | 4,066,815 | - | 4,066,815 |
| - Euronet Pakistan (Private) Limited | 67,360 | - | 67,360 |
| | 4,134,175 | - | 4,134,175 |
| Investments at cost | 451,333,022 | 14,913,803 | 466,246,825 |
| Less: Provision for diminution in the value of investments | (6,182,180) | - | (6,182,180) |
| Investments (net of provisions) | 445,150,842 | 14,913,803 | 460,064,645 |
| Surplus / (deficit) on revaluation of available for sale securities - net | (909,479) | 46,054 | (863,425) |
| Surplus / (deficit) on revaluation of held-for-trading securities - net | (8,236) | - | (8,236) |
| Investments at revalued amounts - net of provisions | 444,233,127 | 14,959,857 | 459,192,984 |

| 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 | 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 | 4,385,602 | - | 4,385,602 |
| - Euronet Pakistan (Private) Limited | 70,637 | - | 70,637 |
| | 4,456,239 | - | 4,456,239 |
| Investments at cost | 570,415,703 | 88,919,726 | 659,335,429 |
| Less: Provision for diminution in the value of investments | (5,984,983) | - | (5,984,983) |
| 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 September 30, 2018 amounted to Rs. 3,147.200 million (December 31, 2017: Rs. 3,906.139 million).

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

| | September 30, 2018 | December 31, 2017 |
|--|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| Opening balance | 4,385,602 | 5,375,158 |
| Share of profit for the period / year before tax | 472,447 | 426,892 |
| Dividend from associate | (140,000) | (302,497) |
| Share of tax | (186,115) | (119,142) |
| | 146,332 | 5,253 |
| Share of other comprehensive income | (163,955) | (335,698) |
| Disposal during the period / year | (301,164) | (659,111) |
| Closing balance | 4,066,815 | 4,385,602 |
| 8.3.1 Share of other comprehensive income | | |
| Share of unrealized surplus on assets - net of tax | (177,807) | (329,756) |
| Share of exchange translation reserve of associate | 13,852 | (5,942) |
| | (163,955) | (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%

| | Note | September 30, 2018 | December 31, 2017 |
|--|------|------------------------------|----------------------|
| | | ----- (Rupees in '000) ----- | |
| Opening balance | | 70,637 | 72,357 |
| Share of profit for the period / year before tax | | 4,567 | 6,227 |
| Share of tax | | (7,844) | (7,947) |
| Closing balance | | (3,277) | (1,720) |
| | | 67,360 | 70,637 |

9. ADVANCES - NET

| | | | |
|---|------|---------------------|---------------------|
| Loans, cash credits, running finances, etc | | | |
| - In Pakistan | | 486,159,596 | 463,689,530 |
| - Outside Pakistan | | 25,123,946 | 24,537,474 |
| | | 511,283,542 | 488,227,004 |
| Islamic Financing and related assets | 23.1 | 57,849,944 | 31,474,154 |
| Net Investment in finance lease | | | |
| - In Pakistan | | 4,267,654 | 4,176,737 |
| - Outside Pakistan | | 586,903 | 525,309 |
| | | 4,854,557 | 4,702,046 |
| Bills discounted and purchased (excluding treasury bills) | | | |
| - Payable in Pakistan | | 6,554,860 | 6,966,964 |
| - Payable outside Pakistan | | 8,889,315 | 15,301,533 |
| | | 15,444,175 | 22,268,497 |
| | | 589,432,218 | 546,671,701 |
| Advances - gross | | | |
| Less: Provision against loans and advances | | | |
| - Specific provision | 9.1 | (42,699,018) | (44,587,644) |
| - General provision | 9.2 | (539,325) | (504,172) |
| - General provision against consumer loans & small enterprise loans | 9.3 | (524,270) | (533,795) |
| - General provision by overseas operations | 9.4 | (152,343) | (80,289) |
| | | (43,914,956) | (45,705,900) |
| | | 545,517,262 | 500,965,801 |

Advances - net of provision

9.1 Advances include Rs. 47,080.252 million (December 31, 2017: Rs. 48,753.349 million) which have been placed under non-performing status as detailed below:

as detailed below:

| | | Note | September 30, 2018 | | | | |
|--|-------|------|---------------------|------------------|-------------------|-----------------------------|-------------------------|
| 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 | | 152,399 | - | 152,399 | 9,673 | 9,673 |
| Substandard | | | 863,063 | 40,490 | 903,553 | 212,431 | 212,431 |
| Doubtful | | | 289,231 | 42,482 | 331,713 | 163,860 | 163,860 |
| Loss | | | 39,103,538 | 6,589,049 | 45,692,587 | 42,313,054 | 42,313,054 |
| | | | <u>40,408,231</u> | <u>6,672,021</u> | <u>47,080,252</u> | <u>42,699,018</u> | <u>42,699,018</u> |
| 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 |
| | | | <u>42,656,908</u> | <u>6,096,441</u> | <u>48,753,349</u> | <u>44,587,644</u> | <u>44,587,644</u> |

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- 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** Exposure amounting to Rs. 1,750 million relating to Power Holding (Private) Limited, which is guaranteed by the Government of Pakistan has not been classified as non performing, in accordance with a relaxation given by the SBP. However, unrealized markup income has been suspended on this amount.
- 9.6** 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

| September 30, 2018 | December 31, 2017 |
|------------------------------|----------------------|
| ----- (Rupees in '000) ----- | |
| 1,880,681 | 1,159,870 |
| 40,843,463 | 40,232,017 |
| 1,225,190 | 1,173,561 |
| 43,949,334 | 42,565,448 |

- 10.1.** Additions and disposals during the period amounted to Rs. 3,626.193 million (September 30, 2017: Rs. 3,631.543 million) and Rs. 320.346 million (September 30, 2017: Rs. 9.712 million), respectively.

| September 30, 2018 | December 31, 2017 |
|------------------------------|----------------------|
| ----- (Rupees in '000) ----- | |

11. BORROWINGS

In Pakistan
Outside Pakistan

| | |
|------------|-------------|
| 58,665,916 | 134,348,131 |
| 3,700,582 | 6,114,007 |
| 62,366,498 | 140,462,138 |

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

| | |
|------------|-------------|
| 19,627,672 | 25,683,299 |
| 13,572,638 | 12,797,076 |
| 10,070 | 100,866 |
| 29,211 | 3,680 |
| 158,985 | 254,045 |
| 33,398,576 | 38,838,966 |
| 14,741,586 | 88,849,251 |
| 48,140,162 | 127,688,217 |

Unsecured

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

| | |
|------------|-------------|
| 7,607,131 | 8,259,274 |
| 5,257,138 | 3,285,818 |
| 162,286 | 162,286 |
| 1,199,781 | 1,066,543 |
| 14,226,336 | 12,773,921 |
| 62,366,498 | 140,462,138 |

12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits
Savings deposits
Current accounts
Margin accounts

| | |
|---------------|-------------|
| 81,105,186 | 71,555,175 |
| 575,715,836 | 527,071,726 |
| 397,907,531 | 365,274,018 |
| 10,403,891 | 10,115,015 |
| 1,065,132,444 | 974,015,934 |

Financial institutions

Remunerative deposits
Non-remunerative deposits

| | |
|---------------|---------------|
| 22,606,122 | 16,534,020 |
| 8,950,439 | 10,596,208 |
| 31,556,561 | 27,130,228 |
| 1,096,689,005 | 1,001,146,162 |

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13. SUB-ORDINATED LOANS

Term Finance Certificates - Listed, Unsecured

| September 30, 2018 | December 31, 2017 |
|------------------------------|----------------------|
| ----- (Rupees in '000) ----- | |

| | |
|-----------|-----------|
| 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".

| September 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
Surplus on revaluation of Non-banking assets
Accelerated tax depreciation
Receivable from pension fund
Business combination
Investments in associated undertaking
Surplus / deficit on revaluation of securities

| | |
|-----------|-----------|
| 1,025,822 | 1,051,507 |
| 75,273 | 75,273 |
| 1,716,418 | 1,704,905 |
| 1,062,228 | 2,096,688 |
| 705,218 | 705,218 |
| 1,196,627 | 1,291,483 |
| - | 2,260,717 |
| 5,781,586 | 9,185,791 |

Deductible temporary differences on:

Surplus / deficit on revaluation of securities
Taxable losses
Provision for post retirement benefits
Provision for bad debts
Others

| | |
|-------------|-------------|
| (302,199) | - |
| (629,461) | (209,657) |
| (201) | (201) |
| (2,095,209) | (3,282,517) |
| (68,547) | (32,343) |
| (3,095,617) | (3,524,718) |
| 2,685,969 | 5,661,073 |

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring

- Government
- Banks and financial institutions
- Others

| | |
|-------------|------------|
| 103,769,223 | 75,282,524 |
| 4,423,584 | 5,345,816 |
| 7,775,627 | 6,960,826 |
| 115,968,434 | 87,589,166 |

15.2 Transaction-related contingent liabilities

Guarantees in favour of:

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

| | |
|-------------|-------------|
| 33,271,552 | 28,536,667 |
| 86,058 | 80,377 |
| 19,498,247 | 16,788,987 |
| 2,407,107 | 1,992,913 |
| 55,262,964 | 47,398,944 |
| 159,040,142 | 149,495,964 |

15.3 Trade-related contingent liabilities

15.4 Other contingencies

Claims against the Bank not acknowledged as debts

| | |
|------------|-----------|
| 12,000,314 | 5,938,071 |
|------------|-----------|



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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

| | September 30, 2018 | December 31, 2017 |
|--|------------------------------|----------------------|
| | ----- (Rupees in '000) ----- | |
| Purchase | 120,497,132 | 85,637,860 |
| Sale | 94,450,340 | 75,559,527 |
| | 488,479 | 150,868 |
| 15.7 Commitments for the acquisition of fixed assets | | |
| 15.8 Other commitments | | |
| FX options (notional amount) | | |
| Purchase | 1,766,409 | 865,718 |
| Sale | 1,766,409 | 865,718 |
| Cross Currency Swaps (Notional) | 7,199,908 | 3,232,144 |
| Interest Rate Swaps (Notional) | 316,500 | 316,500 |
| Outright purchase of Government Securities | 8,305,000 | 7,000,000 |

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. 1,399 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.

| | Nine months ended | |
|--------------------------------------|----------------------------|-----------------------|
| | September 30, 2018 | September 30, 2017 |
| | ---- (Rupees in '000) ---- | |
| 16. GAIN ON SALE OF SECURITIES - NET | | |
| Federal Government Securities | | |
| -Market Treasury Bills | 28,305 | 4,476 |
| -Pakistan Investment Bonds | 93,839 | 862,879 |
| Other securities | 98 | 25,575 |
| Listed Shares / units | 855,060 | 3,212,859 |
| | 977,302 | 4,105,789 |

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

| | Nine months ended | |
|---|----------------------------|-----------------------|
| | September 30, 2018 | September 30, 2017 |
| | ---- (Rupees in '000) ---- | |
| Profit attributable to equity shareholders of the Bank | 13,575,688 | 19,046,706 |
| | (Number of shares) | |
| Weighted average number of shares outstanding during the period | 1,185,060,006 | 1,135,457,440 |
| | (Rupees) | |
| Basic and diluted Earnings per share - after tax | 11.46 | 16.77 |

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].



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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 Group as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates is determined on the basis of break up value of the investee.

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

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

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

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

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Group 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 Group has adopted revaluation model (as per IAS 16) in respect of land and building.

| Fair Value | | | | | | | |
|--|------------|-------------|-------------|-------------------|-------------|---------|-------------|
| September 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 | 70,288 | - | 70,288 | 23,745 | - | - | 23,745 |
| - Units in open end mutual funds | 1,159,658 | - | 1,159,658 | 393,473 | - | - | 393,473 |
| - Market Treasury Bills | - | 1,955,338 | 1,955,338 | - | 4,974 | - | 4,974 |
| | 1,229,946 | 1,955,338 | 3,185,284 | 417,218 | 4,974 | - | 422,192 |
| Available-for-sale securities | | | | | | | |
| - Market Treasury Bills | - | 273,756,646 | 273,756,646 | - | 384,269,158 | - | 384,269,158 |
| - Pakistan Investment Bonds | - | 114,789,188 | 114,789,188 | - | 205,771,813 | - | 205,771,813 |
| - Shares in listed companies & REIT | 19,767,661 | - | 19,767,661 | 20,490,214 | - | - | 20,490,214 |
| - NIT units | 7,640 | - | 7,640 | 7,805 | - | - | 7,805 |
| - Units in open end mutual funds | 288,227 | - | 288,227 | 1,220,129 | - | - | 1,220,129 |
| - Sukuks | - | 11,551,320 | 11,551,320 | - | 7,541,665 | - | 7,541,665 |
| - Term Finance Certificates (TFCs) | - | 303,840 | 303,840 | - | 612,857 | - | 612,857 |
| | 20,063,528 | 400,400,994 | 420,464,522 | 21,718,148 | 598,195,493 | - | 619,913,641 |
| Non - Financial Assets measured at fair value | | | | | | | |
| Operating fixed assets (land and buildings) | - | 34,123,083 | 34,123,083 | - | 32,414,791 | - | 32,414,791 |
| Non-banking assets | - | 3,928,352 | 3,928,352 | - | 4,310,611 | - | 4,310,611 |
| Off balance sheet financial instruments | | | | | | | |
| FX options purchase and sale | - | 3,532,818 | 3,532,818 | - | 1,731,436 | - | 1,731,436 |
| Cross currency swaps | - | 7,225,152 | 7,225,152 | - | 3,247,345 | - | 3,247,345 |
| Interest Rate Swaps | - | 321,119 | 321,119 | - | 311,792 | - | 311,792 |
| Foreign exchange contracts purchase and sale | - | 213,333,539 | 213,333,539 | - | 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.

(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. |
| 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. |
| 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 Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2018



21 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

| | Nine months ended September 30, 2018 | | | | | |
|---|--------------------------------------|-------------------|---------------------------|--------------------|------------------|---------------------------|
| | Corporate Finance | Trading and Sales | Retail & Consumer Banking | Commercial Banking | Asset Management | Inter segment elimination |
| | (Rupees in '000) | | | | | |
| Total income | 84,733 | 6,601,037 | 30,515,525 | 10,140,021 | 556,248 | (9,995) |
| Total expenses | (51,231) | (2,162,798) | (19,897,222) | (2,929,426) | (406,559) | 9,995 |
| Income tax expense | - | - | - | - | - | - |
| Net income | 33,502 | 4,438,239 | 10,618,303 | 7,210,595 | 149,689 | - |
| Segment assets - (Gross of NPLs Provisions) | 316,738 | 704,565,774 | 1,120,818,306 | 563,825,415 | 2,252,194 | (983,048,940) |
| Advance taxation (payment less provision) | - | - | - | - | - | - |
| Total assets | 316,738 | 704,565,774 | 1,120,818,306 | 563,825,415 | 2,252,194 | (983,048,940) |
| Segment non performing loans | - | - | 12,690,843 | 34,389,409 | - | - |
| Segment specific provision required | - | - | 11,878,747 | 30,820,271 | - | - |
| Segment liabilities | 44,323 | 668,082,443 | 1,134,508,154 | 398,794,062 | 652,421 | (983,048,940) |
| Deferred tax liabilities - net | - | - | - | - | - | - |
| Total liabilities - net | 44,323 | 668,082,443 | 1,134,508,154 | 398,794,062 | 652,421 | (983,048,940) |
| Segment return on assets (ROA) (%) | 35.67% | 1.25% | 3.67% | 2.54% | 32.93% | - |
| Segment cost of fund (%) | - | 6.44% | 3.95% | 6.20% | - | - |

| | Nine months ended September 30, 2017 | | | | | |
|--|--------------------------------------|-------------------|---------------------------|--------------------|------------------|---------------------------|
| | Corporate Finance | Trading and Sales | Retail & Consumer Banking | Commercial Banking | Asset Management | Inter segment elimination |
| | (Rupees in '000) | | | | | |
| Total income | 201,408 | 13,356,463 | 26,571,086 | 6,348,452 | 519,575 | - |
| Total expenses | (72,070) | (3,437,640) | (16,051,779) | (1,062,419) | (296,851) | - |
| Income tax expense | - | - | - | - | - | - |
| Net income | 129,338 | 9,918,823 | 10,519,307 | 5,286,033 | 222,724 | - |
| Segment assets - (Gross of NPLs provision) | 861,419 | 782,322,244 | 1,001,012,169 | 418,506,549 | 2,162,135 | (822,121,010) |
| Advance taxation (payment less provision) | - | - | - | - | - | - |
| Deferred tax assets - net | - | - | - | - | - | - |
| Total assets | 861,419 | 782,322,244 | 1,001,012,169 | 418,506,549 | 2,162,135 | (822,121,010) |
| Segment non performing loans | - | - | 14,389,980 | 34,861,253 | - | - |
| Segment specific provision required | - | - | 13,613,212 | 31,307,904 | - | - |
| Segment liabilities | 143,950 | 713,959,156 | 1,008,287,546 | 286,426,485 | 590,777 | (822,121,010) |
| Total liabilities - net | 143,950 | 713,959,156 | 1,008,287,546 | 286,426,485 | 590,777 | (822,121,010) |
| Segment return on assets (ROA) (%) | 31.17% | 2.28% | 3.59% | 2.19% | 32.04% | - |
| Segment cost of fund (%) | - | 5.89% | 3.27% | 5.60% | - | - |

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 nine months period ended September 30, 2018



22. RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its associates, companies with common directorship, employee benefit plans and its directors and key management personnel and their close family members. Investments in associates are given in note 8 to these consolidated condensed interim financial statements for the nine months period ended September 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 | |
|--|--------------------------------------|-------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|--------------------------------------|-------------------------|
| | Nine months ended September 30, 2018 | Year ended Dec 31, 2017 | Nine months ended September 30, 2018 | Year ended Dec 31, 2017 | Nine months ended September 30, 2018 | Year ended Dec 31, 2017 | Nine months ended September 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 | 2,376,502 | 3,686,510 | 12,685,154 | 37,478,917 | 40,014,461 | 60,757,429 | 700,974 | 751,440 |
| Withdrawn during the period / year | (2,736,756) | (2,274,847) | (12,778,692) | (37,303,069) | (34,434,043) | (62,808,478) | (685,019) | (709,121) |
| Closing balance | 3,593,476 | 3,953,730 | 2,650,894 | 2,744,432 | 9,381,377 | 3,800,959 | 164,035 | 148,080 |
| Advances | | | | | | | | |
| Opening balance | - | 195 | - | - | 2,322,934 | 262,113 | 82,348 | 84,787 |
| Additions / adjustments during the period / year | - | - | - | - | 3,189,780 | 4,491,988 | 41,045 | 10,536 |
| Repaid / adjustments during the period / year | - | (195) | - | - | (4,468,522) | (2,431,167) | (16,574) | (12,975) |
| Closing balance | - | - | - | - | 1,044,192 | 2,322,934 | 106,819 | 82,348 |
| Borrowings | | | | | | | | |
| Opening balance | - | - | - | - | 983,755 | 936,768 | - | - |
| Additions / adjustments during the period / year | - | - | - | - | - | 1,356,967 | - | - |
| Repaid / adjustments during the period / year | - | - | - | - | (983,755) | (1,300,000) | - | - |
| Closing balance | - | - | - | - | - | 993,755 | - | - |
| Other Balances | | | | | | | | |
| Outstanding balance of credit cards | 411 | 946 | - | - | 79 | 1,674 | 1,289 | 1,819 |
| Receivable from Pension Fund | - | - | - | - | 3,034,941 | 5,990,537 | - | - |
| Commitments and contingent liabilities - outstanding | - | - | 8,337 | 9,840 | 4,280,627 | 976,586 | - | - |
| Forward foreign exchange contracts (Notional) - outstanding | - | - | - | - | 9,744,479 | 17,562,997 | - | - |
| Forward purchase of government securities | - | - | - | - | 8,305,000 | - | - | - |
| Unrealized gain / (loss) on forward foreign exchange contracts - outstanding | - | - | - | - | 10,986 | 68,442 | - | - |
| Trade payable | - | - | 58,953 | 39,730 | - | - | - | - |
| Markup payable | 20,855 | 12,586 | 14,045 | 8,063 | 32,803 | 22,553 | 275 | 113 |
| Other payable | 3,336 | 5,401 | 2,605 | 37 | 36,415 | 559 | - | - |
| Other advances | - | - | 895 | 3,199 | 27,929 | 27,929 | - | - |
| Markup receivable | - | - | - | - | 34,816 | 14,958 | 2,376 | 589 |
| Other receivable | - | - | 299 | 557 | 1,350 | 1,620 | - | - |
| Commission and management service fee receivable | - | - | 45,642 | 50,341 | - | - | - | - |



| | Directors | | Associates | | Other Related Parties | | Key Management | |
|---|--------------------|--------------------|--------------------|--------------------|-----------------------|--------------------|--------------------|--------------------|
| | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 | September 30, 2018 | September 30, 2017 |
| Insurance premium-net of refund | - | - | 539,822 | 536,424 | - | - | - | - |
| Insurance claim settled | - | - | 199,920 | 10,777 | - | - | - | - |
| Markup income on advances and lendings | 38 | 2 | - | - | 61,235 | 51,439 | 6,100 | 5,089 |
| Forward exchange contracts matured during the period | - | - | - | - | 81,111,610 | 39,909,556 | - | - |
| Gain / (loss) on forward foreign exchange contracts matured during the period | - | - | - | - | 325,234 | 214,254 | - | - |
| Dividend income | - | - | 140,000 | 189,755 | 6,800 | 16,320 | - | - |
| Commission and management service fee | - | - | 795,831 | 708,852 | 5,977 | 7,993 | - | - |
| Rent income and reimbursement of other expenses | - | - | 2,736 | 2,506 | 2,430 | 2,430 | - | - |
| Outsourcing service expenses | - | - | 163,829 | 130,287 | - | - | - | - |
| Proceeds from sale of fixed assets | 1,999 | - | - | - | - | - | 3,202 | 27 |
| Gain / (loss) on sale of fixed assets | - | - | - | - | - | - | 71 | 27 |
| Cash sorting expenses | - | - | - | - | 116,867 | 56,771 | - | - |
| Stationary expenses | - | - | - | - | 163,951 | 132,112 | - | - |
| Security guards expenses | - | - | - | - | 301,542 | 292,429 | - | - |
| Remuneration and non-executive directors fee | 112,995 | 106,711 | - | - | - | - | 359,659 | 368,239 |
| Mark-up expense | 137,291 | 74,902 | 70,110 | 52,349 | 169,748 | 118,207 | 1,449 | 1,100 |
| Clearing expenses paid to NIFT | - | - | - | - | 111,119 | 95,163 | - | - |
| Contribution to provident fund | - | - | - | - | 263,335 | 218,657 | - | - |
| Rent and other expenses | - | - | - | 1,448 | 38,212 | 40,020 | - | - |
| Sale of government securities | - | - | 3,418,206 | 5,489,632 | 213,941,809 | 10,226,740 | 20,876 | - |
| Purchase of government securities | - | - | 4,756,004 | 3,923,498 | 214,052,477 | 9,295,593 | 19,993 | - |
| Gain / (loss) on sale of government securities | - | - | 52 | 47 | 44,755 | 197 | 0.2 | - |
| Miscellaneous expenses and payments | - | - | - | - | 51,534 | 59,291 | - | - |

(Rupees in '000)

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.

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



23 ISLAMIC BANKING BUSINESS

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

| | Note | September 30, 2018 | December 31, 2017 |
|--|------|-----------------------|----------------------|
| ---- (Rupees in '000) ---- | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 6,565,395 | 3,390,753 |
| Balances with other banks | | 439,045 | 2,703,251 |
| Due from financial institutions | | 1,750,000 | 1,400,000 |
| Investments - net | | 12,454,948 | 9,186,213 |
| Islamic financing and related assets - net | 23.1 | 57,841,295 | 31,472,935 |
| Operating fixed assets | | 3,047,835 | 2,622,993 |
| Deferred tax assets - net | | 688,012 | 289,465 |
| Other assets - net | | 1,338,320 | 633,515 |
| | | 84,124,850 | 51,699,125 |
| LIABILITIES | | | |
| Bills payable | | 1,159,295 | 314,210 |
| Due to financial institutions | | 7,130,851 | 7,926,790 |
| Deposits and other accounts | | 64,084,276 | 32,690,808 |
| Sub-ordinated loans | | - | - |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities - net | | - | - |
| Other liabilities | | 1,601,607 | 1,136,538 |
| | | 73,976,029 | 42,068,346 |
| | | 10,148,821 | 9,630,779 |
| NET ASSETS | | | |
| REPRESENTED BY | | | |
| Share capital | | 11,200,000 | 10,000,000 |
| Reserves | | 26,444 | 26,444 |
| Accumulated loss | | (973,278) | (194,065) |
| | | 10,253,166 | 9,832,379 |
| Deficit on revaluation of assets - net of tax | | (104,345) | (201,600) |
| | | 10,148,821 | 9,630,779 |
| | | September 30, 2018 | December 31, 2017 |
| ---- (Rupees in '000) ---- | | | |
| ISLAMIC FINANCING AND RELATED ASSETS | | | |
| In Pakistan | | | |
| - Murabaha financing | | 8,200,043 | 5,078,311 |
| - Inventory held under Murabaha | | 6,925,164 | 4,513,090 |
| - Advances against Murabaha | | 1,479,095 | 421,318 |
| - Murabaha under Islamic Export Refinance Scheme | | - | 101,575 |
| - Diminishing Musharakah | | 12,849,662 | 8,903,262 |
| - Advances against Diminishing Musharakah | | 3,946,870 | 1,248,246 |
| - Running Musharakah financing | | 19,203,138 | 8,009,283 |
| - Running Musharakah under Islamic Export Refinance Scheme | | 700,000 | 806,700 |
| - Net book value of assets in Ijarah under IFAS 2 | | 2,235,526 | 1,484,260 |
| - Advances against Ijarah | | 883,916 | 139,249 |
| - Advances against Istisna financing under Islamic Export Refinance Scheme | | 208,451 | 100,000 |
| - Staff finance | | 1,218,079 | 668,860 |
| | | 57,849,944 | 31,474,154 |
| Islamic Financing and Related Assets - Gross | | | |
| Provision against non performing Islamic financing and related assets | | (8,649) | (1,219) |
| Islamic financing and related assets - net of provision | | 57,841,295 | 31,472,935 |

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2018



The profit and loss account of the Group's Islamic banking business for the nine months ended September 30, 2018 is as follows:

| | Nine months ended September 30, 2018 ---- (Rupees in '000) ---- | Nine months ended September 30, 2017 |
|--|---|--|
| Profit / return earned | 2,659,902 | 1,441,897 |
| Profit / return expensed | 1,498,122 | 666,768 |
| Net spread earned | 1,161,780 | 775,129 |
| Provision / (reversal of provision) against non-performing Islamic financing and related assets - net | 7,430 | (337) |
| Provision for diminution in the value of investments - net | 487,669 | - |
| Bad debts written off directly | - | - |
| | 495,099 | (337) |
| Net spread after provisions | 666,681 | 775,466 |
| Other income | | |
| Fee, commission and brokerage income | 93,227 | 33,972 |
| Dividend income | 44,845 | 47,601 |
| Income from dealing in foreign currencies | 95,883 | 24,392 |
| Gain on sale of securities - net | 17,796 | 299,611 |
| Unrealized gain / (loss) on revaluation of investments classified as held for trading - net | - | - |
| Other income | 8,362 | 7,873 |
| Total other income | 260,113 | 413,449 |
| | 926,794 | 1,188,915 |
| Other expenses | | |
| Administrative expenses | 2,118,113 | 1,239,765 |
| Other provision - net | 102 | - |
| Other charges | 3,181 | 8 |
| Total other expenses | 2,121,396 | 1,239,773 |
| Extra ordinary / unusual items | - | - |
| (Loss) / profit before taxation | (1,194,602) | (50,858) |
| Taxation | | |
| - Current | 36,500 | 20,209 |
| - Prior periods | - | - |
| - Deferred | (451,256) | (38,320) |
| | (414,756) | (18,111) |
| (Loss) / profit after taxation | (779,846) | (32,747) |
| | Rupees | |
| Basic / diluted (loss) / earnings per share | (0.705) | (0.033) |

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 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 consolidated condensed interim financial statements.

25 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 24, 2018 has announced cash dividend in respect of the nine months period ended September 30, 2018 of Rs. 4.00 per share (September 30, 2017: Rs. 4.00 per share). These consolidated condensed interim financial statements for the nine months period ended September 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 October 24, 2018.

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Yahya Saleem
Director

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director