



Registered Office
MCB House, 15-Main Gulberg, Lahore
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Tel: +92 42 36041938-9
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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

MCB Bank Limited

CORPORATE PROFILE

Board of Directors:

Mian Mohammad Mansha	Chairman
Mr. S. M. Muneer	Vice Chairman
Mr. Tariq Rafi	Director
Mr. Shahzad Saleem	Director
Mian Umer Mansha	Director
Mrs. Iqraa Hassan Mansha	Director
Mr. Samir Iqbal Saigol	Director
Mr. Ahmad Alman Aslam	Director
Mr. Muhammad Ali Zeb	Director
Mr. Mohd Suhail Amar Suresh	Director
Mr. Irfan Ahmed Hashmi	Director
Mr. Nor Hizam Bin Hashim	Director
Mr. Imran Maqbool	President & CEO

Audit Committee:

Mr. Ahmad Alman Aslam	Chairman
Mr. Muhammad Ali Zeb	Member
Mr. Nor Hizam Bin Hashim	Member
Mr. Samir Iqbal Saigol	Member

Chief Financial Officer:	Mr. Salman Zafar Siddiqi
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 1st Floor, 40-C, Block 6, P.E.C.H.S., Karachi Pakistan Branch Office: M/s. THK Associates (Pvt.) Limited 2 nd Floor, DYL Motorcycles Ltd. Office Building Plot No. 346, Block No. G-III, Khokhar Chowk Main Boulevard, Johar Town, Lahore Pakistan.

On behalf of the Board of Directors, I am pleased to place before you, the financial statements of MCB Bank Limited for the half year ended June 30, 2017;

Profit Before Taxation

Taxation

Profit After Taxation

Un-appropriated Profit Brought Forward

Remeasurement of Defined Benefit Plans - net of tax

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

Profit Available for Appropriation

Appropriations:

Statutory Reserve

Final Cash Dividend - December 2016

Interim Cash Dividend - March 2017

Total Appropriations

Un-appropriated Profit Carried Forward

Performance Review

During the half year ended June 30, 2017, MCB Bank Limited posted a Profit Before Tax of Rs. 17.73 billion and profit after tax of Rs. 13.69 billion. In comparison with the corresponding period last year, a Profit Before Tax has decreased by 6.23% whereas a Profit After Tax has increased by 27.81% on account of reversal of prior year tax charges. Net markup income of the Bank was reported at Rs. 20.05 billion, down by 14.30% over corresponding period last year, owing to the maturity of high yielding bonds and low-interest rate environment.

On the non-markup income front, the Bank reported a base of Rs. 9.68 billion with exceptional growth of 59.76% over corresponding period last year. Major contributions to non-markup income growth are fees & commissions, capital gains, and dividend income.

The administrative expense base (excluding pension fund reversal) recorded an increase of 15.43% over corresponding period last year. On the provision front, the Bank continued with its recovery trajectory and posted a reversal in provision against advances of Rs. 1.95 billion in the first half of 2017.

The total asset base of the Bank was reported at Rs. 1,321.01 billion reflecting a healthy increase of 25.59% over December 2016. Analysis of the asset mix highlights that net investments have increased by Rs. 194.16 billion (+34.93%) with net advances increasing by Rs. 41.66 billion (+11.97%) over December 31, 2016. The coverage and infection ratios of the Bank were reported at 78.76% and 5.52%, respectively.

On the liabilities side, the deposit base of the Bank recorded an exceptional increase of Rs. 110.12 billion (+14.09%) over December 2016, outperforming the industry growth number by a significant margin. MCB Bank Limited continued to enjoy one of the highest CASA mixes in the banking industry of 94.03% with strategic focus on current deposits (+24%) and savings deposits (+7%) over December 2016. The concentration level of no-cost current accounts has increased to an all-time high of 41% of the total deposit book.

Earnings per share (EPS) for the period came to Rs. 12.30 as compared to Rs. 9.62 for the same period last year. Return on Assets and Return on Equity were reported at 2.31% and 22.82% respectively, whereas book value per share stood at Rs. 109.65.

The Board of Directors declared 2nd interim cash dividend of Rs. 4.00 per share for the half year ended June 2017, which is in addition to Rs. 4.0 per share interim dividend already paid to shareholders.

Amalgamation of NIB Bank Limited (NIB) with and into MCB

The State Bank of Pakistan, through its letter BPRD (R&P-02)/2017/14329 dated June 13, 2017, has approved the scheme of amalgamation and granted sanction order for the amalgamation of NIB Bank Limited with and into the Bank. This is effective from the close of business on July 07, 2017 (the effective date). The Committee of the Board of Directors of MCB Bank Limited (MCB), in their meeting held on December 07, 2016, approved and resolved to present the draft Scheme of Amalgamation of NIB Bank Limited (NIB) with and into MCB before the shareholders of MCB for their approval. The shareholders of MCB approved the Scheme of Amalgamation in the Extraordinary General Meeting (EOGM) held on January 23, 2017 as per the procedure provided in Section 48 of the Banking Companies Ordinance, 1962. The Bank has issued 72,029,258 ordinary shares of MCB in aggregate in favour of the shareholders of NIB on the basis of a swap ratio of 1 (one) ordinary share of MCB for every 140.043 ordinary shares of NIB Bank. The Financial impact of

Rs. in Million

Profit Before Taxation	17,726
Taxation	4,036
Profit After Taxation	13,689
Un-appropriated Profit Brought Forward	53,469
Remeasurement of Defined Benefit Plans - net of tax	(642)
Transferred from Surplus on Revaluation of Fixed Assets - net of tax	27
Profit Available for Appropriation	52,854
Appropriations:	66,543
Statutory Reserve	1,369
Final Cash Dividend - December 2016	4,452
Interim Cash Dividend - March 2017	4,452
Total Appropriations	10,273
Un-appropriated Profit Carried Forward	56,270

this merger will be reflected in MCB Bank's Financial Statements for the nine months ending September 30, 2017.

Ratings

PACRA has maintained MCB Bank's long term credit rating at AAA (triple A) and its short term credit rating at A1+ (A one plus), through its notification dated June 19, 2017.

Economy Review

During the second quarter of 2017, the majority of Pakistan's macroeconomic fundamentals remained fairly positive, which continued to contribute to economic growth and development. However, despite encouraging signs, there are some significant areas which would need careful attention by the authorities.

Pakistan's exports shrank by 1.4% YoY, in dollar terms, during July – June FY17 to \$21.6 billion while imports have been on an uptrend, increasing by 18% YoY, in dollar terms to almost \$48.5 billion. Exports have slowed down as global demand remains weak while non-oil imports such as machinery particularly under the umbrella of the China Pakistan Economic Corridor have been increasing. As a result, Pakistan's trade deficit widened to \$27 billion, as per the State Bank of Pakistan, up by around \$7 billion from the comparative period in the previous fiscal year. Meanwhile, workers' remittances registered a decline of 3.13% YoY, falling to \$19.3 billion from last year. As a result, Pakistan's current account deficit increased to around 4.0% of GDP, more than double than last year's deficit of 1.7%.

On the positive side, however, China-Pakistan Economic Corridor ('CPEC') is beginning to show greater momentum with several energy and infrastructure projects in the pipeline, which will fuel growth in the medium term. Pakistan grew at 5.3% during the year according to the government's estimates. CPEC will also attract foreign investment to Pakistan and enhance its status as a regional manufacturing hub. During the fiscal year, net FDI stood at \$2.4 billion, an eight-year high.

Pakistan's CPI inflation began the quarter at 4.78% YoY in April. However, most recently, in June, CPI inflation was registered at 3.93% YoY on the back of lower oil prices and stable food inflation while core inflation came in at 5.5% YoY. The State Bank of Pakistan, however, decided to maintain its policy rate at 5.75% at its Monetary Policy Committee meeting in May.

On the foreign exchange market side, the Pakistani Rupee remained stable relative to the US dollar, starting the quarter at 104.85 and closing at the same level. Pakistan's FX reserves decreased slightly from \$21.5 billion at the beginning of the quarter to \$21.2 billion by 30 June.

As regards Pakistani stock markets, the KSE-100 fell owing to political jitters beginning the quarter at 48,156 index points and ending it at 46,565 index points.

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

Future Outlook

Pakistan achieved GDP growth of 5.3% in FY17, which is a ten year high. The government is targeting 6.0% growth in FY18, and while this target appears ambitious for this year, expected acceleration in projects under CPEC will become a significant contributor to greater GDP growth in the coming years. Improvements in energy supply are also a key objective for the government, and any managed load-shedding is likely to be eliminated by 2018. However, Pakistan will need to maintain fiscal discipline and keep government expenditures in check as it bids to spend on development projects. Export competitiveness also remains a major concern and requires special attention from the government to boost productivity, reduce costs of production and embark on greater diversification in the export sector. Pressures emanating from the external side will also have to be closely watched.

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


Mian Mohammad Mansha
Chairman

August 25, 2017

ڈائریکٹرز رپورٹ - جون 2017

بورڈ آف ڈائریکٹرز کی جانب سے میں، ایم سی بی بینک لمیٹڈ کے 30 جون 2017 ء کو اختتام پذیر ششماہی کے مالیاتی نتائج، آپ کے سامنے پیش کرتے ہوئے مسرت محسوس کرتا ہوں۔

مالیاتی جھلکیاں:

منافع قبل از ٹیکس
ٹیکس
منافع بعد از ٹیکس
افتتاحی غیر تخصیص شدہ منافع
ایسپلائز بٹیفیس پلان کی دوبارہ پیکس (خالص از ٹیکس)
پائیدار اثاثوں کی از سر نو تخمینہ پراسٹانی آمدن (خالص از ٹیکس)

ملین روپے	
17,726	
4,036	
13,689	
53,469	
(642)	
27	
52,854	
66,543	
1,369	
4,452	
4,452	
10,273	
56,270	

تخصیص کیلئے دستیاب منافع
تخصیص:

قانونی ریزرو
حتی کش ڈیوڈینڈ برائے دسمبر 2016
عبوری کیش ڈیوڈینڈ برائے مارچ 2017

کل تخصیص

اختتامی غیر تخصیص شدہ منافع

کارکردگی کا تجزیہ:

سال کی ششماہی کے اختتام 30 جون 2017 کے دوران ایم سی بی بینک کا منافع قبل از ٹیکس 17.73 ملین روپے اور منافع بعد از ٹیکس 13.69 ملین روپے رہا۔ گزشتہ سال کے تقابلی عرصہ کی نسبت قبل از ٹیکس منافع میں 6.23 فیصد کمی ہوئی جبکہ بعد از ٹیکس منافع میں 27.81 فیصد اضافہ ہوا۔ جس کی بنیادی وجہ پچھلے سالوں کا ٹیکس ریورسل ہے۔ بینک کی خالص مارک اپ آمدنی گزشتہ سال کے تقابلی عرصہ کی نسبت 14.30 فیصد کمی کے ساتھ 20.05 ملین روپے رپورٹ ہوئی۔ جس کی وجہ زیادہ منافع کے حامل بانڈز کی پچھوڑی ہے۔

نان مارک اپ آمدنی کی مد میں بینک نے 59.76 فیصد کی شرح کے غیر معمولی اضافہ کے ساتھ 9.68 ملین روپے کمائے جس میں نمایاں کردار فیس، کمیشن، کمپنل گین اور ڈیوڈینڈ سے حاصل شدہ آمدنی کا ہے۔ انتظامی اخراجات کی مد میں (عیشن فنڈ کی ریورسل کے علاوہ) گزشتہ سال تقابلی مدت کی نسبت 15.43 فیصد اضافہ درج کیا۔ قرضوں کی پروویشن (Provision) کی مد میں بینک نے اپنے مؤثر وصولیوں کے عمل کو جاری رکھتے ہوئے 2017ء کی پہلی ششماہی میں 1.95 ملین روپے کی ریورسل ریکارڈ کی۔ بینک کے کل اثاثا جات دسمبر 2016 سے 25.59 فیصد کے اضافہ کے ساتھ 1,321.01 ملین روپے پر رپورٹ ہوئے۔ اثاثوں کی ترتیب کا جائزہ واضح کرتا ہے کہ دسمبر 2016 کی نسبت خالص سرمایہ کاری میں 194.16 ملین روپے (+34.93%) اور خالص قرضہ جات میں 41.66 ملین روپے (+11.97%) کا اضافہ ہوا۔ بینک کی کوریج اور انفلیشن کا تناسب بالترتیب 78.76 فیصد اور 5.52 فیصد رہا۔

واجبات کی مد میں بینک کے ڈیپازٹ میں دسمبر 2016 کی نسبت 110.12 ملین روپے (+14.09%) کا غیر معمولی اضافہ ہوا ہے۔ ایم سی بی بینک نے بینکنگ انڈسٹری میں اپنے بلند ترین کرنٹ اکاؤنٹس سٹیونگ اکاؤنٹس (CASA) 94.03 فیصد کے تناسب کو خوش اسلوبی سے برقرار رکھا ہے۔ اور دسمبر 2016 کی نسبت کرنٹ اکاؤنٹس میں 24 فیصد اور سٹیونگ اکاؤنٹس میں 7 فیصد اضافہ ریکارڈ کیا ہے اور کرنٹ اکاؤنٹس کا کل ڈیپازٹ میں ارتکاز 41 فیصد تک بڑھ گیا ہے۔

فی حصص آمدنی گزشتہ سال کی تقابلی مدت میں 9.62 روپے کی نسبت اس ششماہی میں 12.30 روپے رہی۔ اثاثا جات اور ایکٹیوٹی پر ریٹرن بالترتیب 2.31 فیصد اور 22.82 فیصد ریکارڈ کیا گیا۔ جبکہ بلیوٹی حصص 109.65 روپے رہی۔ بورڈ آف ڈائریکٹرز نے 30 جون 2017ء کو اختتام پذیر ششماہی کے لئے 4 روپے فی حصص کے دوسرے عبوری کیش ڈیوڈینڈ کا اعلان کیا ہے جو پہلے سے ادا شدہ 4 روپے فی حصص کے عبوری ڈیوڈینڈ کے علاوہ ہے۔

این آئی بی بینک کا ایم سی بی بینک میں انضمام:

اسٹیٹ بینک آف پاکستان نے ایم سی بی اور این آئی بی کے انضمام کی سکیم کی منظوری اور اجازت اپنے خط نمبر BPRD(R&P-02)/2017/14329 بتاریخ 13 جون 2017 میں دی ہے۔ جس کا اطلاق 7 جولائی 2017 سے ہوگا۔ ایم سی بی بینک کے بورڈ آف ڈائریکٹرز کی کمیٹی نے اپنے منعقد کردہ اجلاس بتاریخ 7 دسمبر 2016 میں قرارداد منظور کی جس کے تحت این آئی بی بینک لمیٹڈ (NIB) کے ایم سی بی بینک میں انضمام کی ڈرافٹ سکیم ایم سی بی کے شیر ہولڈرز کے سامنے منظوری کے لئے پیش کی گئی۔ چنانچہ ایم سی بی کے شیر ہولڈرز نے غیر معمولی عام اجلاس منعقدہ 23 جنوری 2017 کو بینکنگ کمیٹی آف بینکس 1962 کی شق 48 کے تحت اس انضمام کی سکیم کو منظور کیا۔ اس انضمام کے مطابق تبادلہ کے تناسب (SWAP RATIO) کی بنیاد پر جو کہ این آئی بی بینک (NIB) کے ہر 140.043 عام حصص کے بدلہ میں ایم سی بی بینک کا ایک عام حصص ہے، این آئی بی بینک (NIB) کے شیر ہولڈرز کے حق میں ایم سی بی بینک کے مجموعی طور پر 72,029,258 عام حصص جاری کیے گئے۔ ان تمام معاملات کے اثرات ایم سی بی بینک اپنی نو ماہ کی مالیاتی رپورٹ بہ اختتام 30 ستمبر 2017 میں رپورٹ کرے گا۔

ریٹنگز:

پاکرا (PACRA) نے اپنے نوٹیفکیشن بتاریخ 19 جون 2017 کے ذریعہ ایم سی بی بینک کی طویل المدتی کریڈٹ ریٹنگ کو ٹریپ اے (AAA) اور قلیل المدتی کریڈٹ ریٹنگ کو اے ولس (A1+) کی سطح پر برقرار رکھا ہے۔

معاشی جائزہ:

2017 ء کی دوسری سہ ماہی کے دوران پاکستان کی میکرو اکنامکس اساس کے عوامل کی اکثریت نسبتاً مثبت رہی اور معاشی نمو ترقی میں اپنا کردار جاری رکھا۔ اہم حوصلہ افزاء اشاروں کے باوجود چند اہم معاملات اب اداروں کی محتاط قیود کے طالب ہیں۔ پاکستان کی برآمدات، امریکی ڈالروں میں سال بہ سال کی بنیاد پر 1.4 فیصد انحطاط پذیر کی کے ساتھ، جولائی تا جون 2017ء تک 21.6 ملین امریکی ڈالر ز رہیں۔ جبکہ درآمدات کا حجم، امریکی ڈالروں میں سال بہ سال کی بنیاد پر 18 فیصد اضافہ کے رجحان کو اپناتے ہوئے 48.5 ملین امریکی ڈالر تک رہا۔ برآمدات کی تحلیلی بڑی وجہ کمزور عالمی طلب رہی جبکہ تیل کے علاوہ کی درآمدات جیسے کہ مشینری، خاص طور پر پاک چین اقتصادی راہداری سے متعلقہ، میں اضافہ کھینے میں آیا۔ جس کے نتیجے میں پاکستان کا تجارتی خسارہ، اسٹیٹ بینک آف پاکستان کے مطابق، مزید وسیع ہوتے ہوئے 27 ملین امریکی ڈالر تک پہنچ گیا۔ جو کہ گزشتہ مالی سال کے تقابلی عرصہ کی نسبت 7 ملین امریکی ڈالر ز زیادہ ہے۔ اس دوران افرادی ترسیلات زر میں بھی 3.13 فیصد کی سالانہ بنیاد پر کمی ریکارڈ کی گئی جس کا حجم گزشتہ سال کے عرصہ میں 19.3 ملین امریکی ڈالر ز رہا۔ اس کی بدولت پاکستان کا کرنٹ اکاؤنٹ خسارہ جی ڈی پی کے تقریباً 4 فیصد تک بڑھ گیا جو گزشتہ سال کے 1.7 فیصد خسارے سے دوگنا سے بھی زیادہ ہے۔

تاہم مثبت رخ کے طور پر پاک چین اقتصادی راہداری (سی پیک) نے اپنے آنے والے توانائی اور قیادت کے بہت سے منصوبوں کے ذریعہ اپنی طاقت و حرکت پذیر کی کا اظہار کرنا شروع کر دیا جو کہ درمیانی مدت میں معاشی نمو کیلئے ایندھن کا کام کرے گی۔ حکومت کے تخمینہ کے مطابق اس سال میں پاکستان کی ترقی کی شرح 5.3 فیصد رہے گی۔ سی پیک پاکستان میں غیر ملکی سرمایہ کاری کو بھی متوجہ کرے گا اور اس کے منتہی کے علاقائی مرکز کی حیثیت کے تاثر کو مزید فروغ حاصل ہوگا۔ اس مالی سال میں اب تک خالص غیر ملکی براہ راست سرمایہ کاری (net FDI) کا حجم 2.4 ملین امریکی ڈالر رہا۔ جو گزشتہ 8 سال میں بلند ترین سطح ہے۔

پاکستان کی صارف قیمتوں کے انڈیکس (سی پی آئی) نے اپریل میں سالانہ بنیاد پر 4.78 فیصد کے افراط زر سے اس سہ ماہی کا آغاز کیا۔ جبکہ ابھی حال ہی میں، جون 2017 میں، سی پی آئی کا افراط زر سالانہ بنیاد پر 3.93 فیصد ریکارڈ کیا گیا جس کی وجہ تیل کی قیمتوں میں کمی اور مستحکم غذائی افراط زر ہے، جبکہ خالص افراط زر سالانہ بنیاد پر 5.5 فیصد رہی۔ تاہم، اسٹیٹ بینک آف پاکستان نے اپنی مائیکرو پالیسی کمیٹی کے کمی کے اجلاس میں پالیسی ریٹ کو 5.75 فیصد کی سطح پر برقرار رکھا ہے۔

غیر ملکی زرمبادلہ کی منڈی کے تناظر میں پاکستانی روپیہ امریکی ڈالر کی نسبت قدرے استحکام کا مظاہرہ کرتا رہا۔ اس سہ ماہی کے آغاز میں تبادلہ کی شرح 104.85 روپے پر اور اختتام بھی اسی شرح پر رہا۔ جبکہ پاکستان کے زرمبادلہ کے ذخائر سہ ماہی کے آغاز میں 21.5 ملین امریکی ڈالر کی قائم شدہ سطح سے کم ہو کر 30 جون 2017ء تک 21.2 ملین امریکی ڈالر تک آئے۔

جہاں تک پاکستان کی عا ک مارکیٹ کا تعلق ہے تو کہ ایس ای-100 انڈیکس غیر یقینی صورتحال کی وجہ سے گر گیا جو اس سہ ماہی کے آغاز میں 48,156 انڈیکس پوائنٹس سے سہ ماہی کے اختتام تک 46,565 انڈیکس پوائنٹس پر بند ہوا۔

مختصر اچان پاکستان کی معاشی ترقی کی رفتار میں مزید بہتری متوقع ہے وہاں معاشی پالیسیوں کی افادیت اس امر کی غماز ہے کہ تمام ہادی نوآئند کوان کی حقیقی صلاحیتوں سے مشروط کیا جاسکے۔ اسی کے ساتھ بیرونی خدشات پر کڑی نظر رکھنے اور ان کے تدارک کی ضرورت ہے۔

مستقبل کی پیش بینی:

پاکستان نے مالی سال 2017 میں جی ڈی پی کی گرتھ (GDP Growth) میں 5.3 فیصد کی شرح حاصل کی ہے۔ جو گزشتہ دس سالوں میں بلند ترین سطح ہے۔ حکومت نے مالی سال 2018 کے لیے 6 فیصد ہدف مقرر کیا ہے۔ یہ ہدف بظاہر زیادہ بڑا نظر آتا ہے تاہم سی پیک (CPEC) کے منصوبوں میں متوقع تیزی آنے والے سالوں میں GDP میں نشوونما کے لیے نمایاں کردار ادا کرے گی۔ توانائی کی رسد میں بہتری بھی ایک کلیدی حیثیت کی حامل ہے۔ 2018ء تک اعلان یوڈ شیلڈنگ کا مکمل خاتمہ متوقع ہے۔ بحر حال پاکستان کو مالی نظم و ضبط کو برقرار رکھنے اور ترقیاتی منصوبوں پر خرچ کرتے ہوئے اپنے علاقائی اخراجات پر کڑی نظر رکھنے کی ضرورت ہے۔ برآمدات کی مسابقت بھی ایک اہم اور توجہ طلب مسئلہ ہے اور حکومت کی خصوصی توجہ کا مستحق ہے۔ تاکہ پیداوار میں اضافہ، لاگت میں کمی اور برآمدات کے شعبہ میں تنوع اور توسیع ہو سکے۔ بیرونی طرف سے پیدا ہونے والے دباؤ کو بھی بخور دیکھنا ہوگا۔

تحسین و تشکر:

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 شیر ہولڈرز اور صارفین کا انکے اعتماد کے لیے، اور اپنے ملازمین کا اکی مسلگی لگن اور مخلصانہ خدمات پر شکر ادا کرتے ہیں۔

برائے وختائب بورڈ آف ڈائریکٹرز

Mawla
میاں عیسیٰ
چیمبر مین

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of MCB Bank Limited ("the Bank") as at 30 June 2017, and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, unconsolidated condensed interim statement of cash flows and explanatory notes (here-in-after referred to as "interim financial information") for the six months period then ended. Management is responsible for the preparation and presentation of the interim financial information in accordance with approved accounting standards applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months period ended 30 June 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures for the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended 30 June 2017 and 30 June 2016 have not been reviewed and we do not express a conclusion on them.

Lahore
Dated: August 25, 2017

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner
M. Rehan Chughtai

Unconsolidated Condensed Interim Statement of Financial Position As at June 30, 2017

	Note	Unaudited June 30, 2017	Audited December 31, 2016
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		97,450,749	74,222,347
Balances with other banks		6,628,948	4,343,841
Lendings to financial institutions	7	5,161,481	2,809,752
Investments - net	8	750,091,914	555,928,553
Advances - net	9	389,643,484	347,979,845
Operating fixed assets	10	34,111,641	32,752,672
Deferred tax assets - net		-	-
Other assets - net		37,921,610	33,776,671
		1,321,009,827	1,051,813,681
Liabilities			
Bills payable		12,621,191	12,843,552
Borrowings	11	232,901,175	74,515,383
Deposits and other accounts	12	891,550,587	781,429,823
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	13	10,037,973	11,260,215
Other liabilities		30,108,135	30,138,083
		1,177,219,061	910,187,056
Net assets		143,790,766	141,626,625
Represented by			
Share capital		11,130,307	11,130,307
Reserves		54,648,451	53,346,861
Unappropriated profit		56,269,570	53,469,072
		122,048,328	117,946,240
Surplus on revaluation of assets - net of tax		21,742,438	23,680,385
		143,790,766	141,626,625

Contingencies and commitments

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The annexed notes 1 to 24 form an integral part of this unconsolidated condensed interim financial information.


Imran Maqbool
President / CEO


Nor Hizam Bin Hashim
Director


Samir Iqbal Saigol
Director


Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)
For the half year ended June 30, 2017

	Quarter ended June 30, 2017	Half year ended June 30, 2017	Quarter ended June 30, 2016	Half year ended June 30, 2016
Note				
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	18,763,311	36,083,679	18,774,414	36,388,562
Mark-up / return / interest expensed	8,447,797	16,033,247	6,703,044	12,992,000
Net mark-up / interest income	10,315,514	20,050,432	12,071,370	23,396,562
Provision / (reversal) against loans and advances - net	(1,190,099)	(1,947,008)	(159,208)	(624,848)
Provision / (reversal) for diminution in the value of investments - net	710,117	587,107	4,479	4,479
Bad debts written off directly	-	14	6	18
	(479,982)	(1,359,887)	(154,723)	(620,351)
Net mark-up / interest income after provisions	10,795,496	21,410,319	12,226,093	24,016,913
Non mark-up / interest income				
Fee, commission and brokerage income	2,442,237	4,637,928	1,950,527	3,882,300
Dividend income	446,050	800,383	286,668	736,858
Income from dealing in foreign currencies	411,743	694,796	281,558	492,984
Gain on sale of securities - net	1,006,377	3,283,619	463,829	668,302
Unrealized gain/(loss) on revaluation of investments classified as held for trading	(9,325)	(43,202)	1,220	(212)
Other income	197,004	304,561	116,226	277,838
Total non mark-up / interest income	4,494,086	9,678,085	3,100,028	6,058,070
	15,289,582	31,088,404	15,326,121	30,074,983
Non mark-up / interest expenses				
Administrative expenses	6,286,192	12,384,962	5,255,269	10,719,181
Other provision - net	547,845	559,987	12,696	31,841
Other charges	202,808	417,874	228,602	420,283
Total non mark-up / interest expenses	7,036,845	13,362,823	5,496,567	11,171,305
	8,252,737	17,725,581	9,829,554	18,903,678
Extraordinary / unusual item	-	-	-	-
Profit before taxation	8,252,737	17,725,581	9,829,554	18,903,678
Taxation - current period	2,812,285	6,146,267	3,421,962	6,637,434
- prior years	(2,175,828)	(2,175,828)	1,693,330	1,693,330
- deferred	73,600	65,806	19,946	(138,071)
	710,057	4,036,245	5,135,238	8,192,693
Profit after taxation	7,542,680	13,689,336	4,694,316	10,710,985
	----- (In Rupees) -----			
Earnings per share - basic and diluted	17 6.78	12.30	4.22	9.62

The annexed notes 1 to 24 form an integral part of this unconsolidated condensed interim financial information.



Imran Maqbool
President / CEO



Nor Hizam Bin Hashim
Director



Samir Iqbal Saigol
Director



Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the half year ended June 30, 2017

	Quarter ended June 30, 2017	Half year ended June 30, 2017	Quarter ended June 30, 2016	Half year ended June 30, 2016
	----- (Rupees in '000) -----			
Profit after tax for the period	7,542,680	13,689,336	4,694,316	10,710,985
Other comprehensive income				
Items that will not be reclassified to profit and loss account				
Remeasurement of defined benefit plans - net of tax	(642,454)	(642,454)	(81,063)	(81,063)
Items that may be reclassified to profit and loss account				
Effect of translation of net investment in foreign branches	(34,973)	(67,344)	40,440	(33,260)
Comprehensive income transferred to equity	6,865,253	12,979,538	4,653,693	10,596,662
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	(2,446,409)	(2,940,234)	1,170,506	2,626,790
Deferred tax	856,242	1,029,081	(412,715)	(922,413)
	(1,590,167)	(1,911,153)	757,791	1,704,377
Total comprehensive income for the period	5,275,086	11,068,385	5,411,484	12,301,039

The annexed notes 1 to 24 form an integral part of this unconsolidated condensed interim financial information.



Imran Maqbool
President / CEO



Nor Hizam Bin Hashim
Director



Samir Iqbal Saigol
Director



Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited) For the half year ended June 30, 2017

Cash flows from operating activities

Profit before taxation
Less: Dividend income

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 - 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
Proceeds from demerger scheme
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

Dividend paid

Net cash flows from financing activities

Exchange difference on translation of net investment in foreign branches

Increase in cash and cash equivalents

Cash and cash equivalents at January 1

Cash and cash equivalents at June 30

The annexed notes 1 to 24 form an integral part of this unconsolidated condensed interim financial information.



Imran Maqbool
President / CEO



Nor Hizam Bin Hashim
Director



Samir Iqbal Saigol
Director



Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the half year ended June 30, 2017

Balance as at December 31, 2015

Change in equity for six months ended June 30, 2016

Total comprehensive income for the six months ended June 30, 2016

Profit after taxation for six months period ended June 30, 2016
Remeasurement of defined benefit plans - net of tax
Exchange differences on translation of net investment in foreign branches
Transactions with owners recognized directly in equity
Final cash dividend at Rs. 4.0 per share - December 31, 2015
Interim cash dividend at Rs. 4.0 per share - March 31, 2016

Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Transferred to statutory reserve

Balance as at June 30, 2016

Change in equity for six months ended December 31, 2016

Total comprehensive income for the six months ended December 31, 2016

Profit after taxation for six months period ended December 31, 2016
Remeasurement of defined benefit plans - net of tax
Exchange differences on translation of net investment in foreign branches
Transactions with owners recognized directly in equity
Interim cash dividend at Rs. 4.0 per share - June 30, 2016
Interim cash dividend at Rs. 4.0 per share - September 30, 2016

Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Transferred to statutory reserve

Balance as at December 31, 2016

Change in equity for six months ended June 30, 2017

Total comprehensive income for the six months ended June 30, 2017

Profit after taxation for six months period ended June 30, 2017
Remeasurement of defined benefit plans - net of tax
Exchange differences on translation of net investment in foreign branches
Transactions with owners recognized directly in equity
Final cash dividend at Rs. 4.0 per share - December 31, 2016
Interim cash dividend at Rs. 4.0 per share - March 31, 2017

Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Transferred to statutory reserve

Balance as at June 30, 2017

The annexed notes 1 to 24 form an integral part of this unconsolidated condensed interim financial information.



Imran Maqbool
President / CEO



Nor Hizam Bin Hashim
Director



Samir Iqbal Saigol
Director



Muhammad Ali Zeb
Director

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 30, 2017

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 1,233 branches (December 31, 2016: 1,227 branches) within Pakistan and 11 branches (December 31, 2016: 11 branches) outside the country (including the Karachi Export Processing Zone Branch).

1.1 The State Bank of Pakistan, through its letter BPRD (R&P-02)/2017/14329 dated June 13, 2017, has approved the scheme of amalgamation and granted sanction order for the amalgamation of NIB Bank Limited with and into the Bank. This is effective from the close of business on July 07, 2017 (the effective date). The Committee of the Board of Directors of MCB Bank Limited (MCB), in their meeting held on December 07, 2016, approved and resolved to present the draft Scheme of Amalgamation of NIB Bank Limited (NIB) with and into MCB before the shareholders of MCB for their approval. The shareholders of MCB approved the Scheme of Amalgamation in the Extraordinary General Meeting (EOGM) held on January 23, 2017 as per the procedure provided in Section 48 of the Banking Companies Ordinance, 1962. The acquisition has added 170 branches, incremental deposit of Rs. 82 billion and incremental gross advances of Rs.98 billion. The Bank has issued 72,029,258 ordinary shares of MCB in aggregate in favour of the shareholders of NIB on the basis of a swap ratio of 1 (one) ordinary share of MCB for every 140.043 ordinary shares of NIB Bank. The Financial impact of this takeover will be reflected in MCB Bank's Financial Statements for the nine months ending September 30, 2017.

2 BASIS OF PRESENTATION

2.1 This financial information represents unconsolidated condensed interim financial information of MCB Bank Limited. The consolidated condensed interim financial information of the Group is being issued separately.

2.2 The disclosures made in this unconsolidated condensed interim financial information 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 this unconsolidated condensed interim financial information should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2016.

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 this unconsolidated condensed interim financial information 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, rates of Rs. 104.8540 per US Dollar (December 31, 2016: Rs.104.5985).

3 STATEMENT OF COMPLIANCE

3.1 The unconsolidated condensed interim financial information of the Bank has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

3.2 The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its press release dated July 20, 2017, this unconsolidated condensed interim financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

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

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

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 30, 2017

4 BASIS OF MEASUREMENT

4.1 This unconsolidated condensed interim financial information has 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 This unconsolidated condensed interim financial information is 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 this unconsolidated condensed interim financial information are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2016.

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, 2016.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for significant accounting estimates and judgments adopted in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2016.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Call money lendings	4,116,258	558,800
Repurchase agreement lendings	1,045,223	2,250,952
	5,161,481	2,809,752

	Note	Held by bank	Given as collateral	Total
		----- (Rupees in '000) -----		
8. INVESTMENTS - NET				
8.1 Investments by types				
Held-for-trading securities		16,205,215	7,952,724	24,157,939
Available-for-sale securities	8.2	489,035,052	196,480,492	685,515,544
Held-to-maturity securities		17,143,144	-	17,143,144
		522,383,411	204,433,216	726,816,627
Associates	8.3	748,172	-	748,172
Subsidiaries		10,845,787	-	10,845,787
		11,593,959	-	11,593,959
Investments at cost		533,977,370	204,433,216	738,410,586
Less: Provision for diminution in the value of investments		(2,473,928)	-	(2,473,928)
Investments (net of provisions)		531,503,442	204,433,216	735,936,658
Surplus / (deficit) on revaluation of available for sale securities - net		14,282,250	(83,792)	14,198,458
Surplus / (deficit) on revaluation of held-for-trading securities - net		(41,494)	(1,708)	(43,202)
Investments at revalued amounts - net of provisions		545,744,198	204,347,716	750,091,914

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

Note	December 31, 2016		
	Held by bank	Given as collateral	Total
	(Rupees in '000)		
Held-for-trading securities	145,662	-	145,662
Available-for-sale securities	468,571,422	38,952,255	507,523,677
Held-to-maturity securities	21,267,040	47,498	21,314,538
	489,984,124	38,999,753	528,983,877
Associates	845,396	-	845,396
Subsidiaries	10,845,787	-	10,845,787
	11,691,183	-	11,691,183
Investments at cost	501,675,307	38,999,753	540,675,060
Less: Provision for diminution in the value of investments	(1,886,821)	-	(1,886,821)
Investments (net of provisions)	499,788,486	38,999,753	538,788,239
Surplus / (deficit) on revaluation of available for sale securities - net	17,147,233	(8,541)	17,138,692
Surplus / (deficit) on revaluation of held-for-trading securities - net	1,622	-	1,622
Investments at revalued amounts - net of provisions	516,937,341	38,991,212	555,928,553

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (December 31, 2016: 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, 2016: 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. 695.651 million (December 31, 2016: Rs. 792.875 million) as at June 30, 2017 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2017 amounted to Rs. 5,138.035 million (December 31, 2016: Rs. 6,351.272 million).

Note	June 30, 2017	December 31, 2016
	(Rupees in '000)	

9. ADVANCES - NET

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

372,147,088	336,403,574
20,188,802	18,186,103
392,335,890	354,589,677

Net Investment in finance lease
- In Pakistan
- Outside Pakistan

2,294,783	1,812,760
87,380	80,328
2,382,163	1,893,088

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

5,356,024	5,768,909
7,274,032	5,426,101
12,630,056	11,195,010

Advances - gross

Less: Provision against loans and advances

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

9.1	(16,724,131)	(18,938,091)
9.2	(555,833)	(367,681)
9.3	(367,953)	(345,791)
9.4	(56,708)	(46,367)
	(17,704,625)	(19,697,930)

Advances - net of provision

389,643,484	347,979,845
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Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

9.1 Advances include Rs. 22,477.794 million (December 31, 2016: Rs. 21,688.250 million) which have been placed under non-performing status as detailed below:

Category of Classification	Note	June 30, 2017				
		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
----- (Rupees in '000) -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	66,642	-	66,642	3,980	3,980
Substandard		3,114,812	24,819	3,139,631	34,521	34,521
Doubtful		92,766	109,141	201,907	100,953	100,953
Loss		13,720,776	5,348,838	19,069,614	16,584,677	16,584,677
		16,994,996	5,482,798	22,477,794	16,724,131	16,724,131

		December 31, 2016				
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	31,918	-	31,918	1,617	1,617
Substandard		72,424	2,487	74,911	18,520	18,520
Doubtful		307,754	55,532	363,286	181,643	181,643
Loss		15,926,350	5,291,785	21,218,135	18,736,311	18,736,311
		16,338,446	5,349,804	21,688,250	18,938,091	18,938,091

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 fully secured performing portfolio and 2% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

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

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

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	
10. OPERATING FIXED ASSETS		
Capital work-in-progress	1,484,626	938,075
Property and equipment	32,308,178	31,471,310
Intangible asset	318,837	343,287
	34,111,641	32,752,672
10.1. Additions and disposals during the period amounted to Rs. 2,273.741 million (June 30, 2016: Rs. 1,226.084 million) and Rs. 7.238 million (June 30, 2016: Rs. 85.311 million), respectively.		
	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	
11. BORROWINGS		
In Pakistan	229,220,152	70,180,289
Outside Pakistan	3,681,023	4,335,094
	232,901,175	74,515,383
11.1. Details of borrowings (secured / unsecured)		
Secured		
Borrowings from State Bank of Pakistan		
Export refinance scheme	13,179,977	12,535,416
Long term financing facility	7,353,584	5,841,088
Financing facility for storage of agricultural produce	269,188	318,490
	20,802,749	18,694,994
Repurchase agreement borrowings	204,388,885	38,984,230
	225,191,634	57,679,224
Unsecured		
Borrowings from other financial institutions	766,545	1,188,851
Call borrowings	6,506,199	15,487,782
Overdrawn nostro accounts	436,797	159,526
	7,709,541	16,836,159
	232,901,175	74,515,383
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	51,771,716	45,340,915
Savings deposits	459,040,579	427,583,023
Current accounts	352,040,464	284,065,590
Margin accounts	8,883,034	6,904,119
	871,735,793	763,893,647
Financial institutions		
Remunerative deposits	11,959,107	10,474,158
Non-remunerative deposits	7,855,687	7,062,018
	19,814,794	17,536,176
	891,550,587	781,429,823
13. DEFERRED TAX LIABILITY / (ASSET) - NET		
The details of the tax effect of taxable and deductible temporary differences are as follows:		
Taxable temporary differences on:		
Surplus on revaluation of operating fixed assets	1,039,662	1,054,091
Surplus on revaluation of Non-banking assets	76,111	76,111
Accelerated tax depreciation	1,404,434	1,425,265
Receivable from pension fund	2,561,781	2,720,719
Surplus / deficit on revaluation of securities	4,969,461	5,998,542
	10,051,449	11,274,728
Deductible temporary differences on:		
Provision for bad debts	(13,476)	(7,048)
Provision for post retirement benefits	-	(7,465)
	(13,476)	(14,513)
	10,037,973	11,260,215

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring		
- Government	44,661,563	28,098,810
- Banks and financial institutions	5,629,939	3,848,002
- Others	2,541,829	2,010,891
	52,833,331	33,957,703
14.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Government	23,952,951	15,482,837
- Banks and financial institutions	35,065	60,034
- Others	11,637,882	12,512,412
- Suppliers credit / payee guarantee	1,993,023	1,930,979
	37,618,921	29,986,262
14.3 Trade-related contingent liabilities	135,186,262	129,124,790
14.4 Other contingencies		
Claims against the Bank not acknowledged as debts	5,583,495	7,345,639
	5,583,495	7,345,639
14.5 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.		
	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	
14.6 Commitments in respect of forward foreign exchange contracts		
Purchase	82,091,788	49,411,339
Sale	84,830,879	49,341,990
	414,738	503,809
14.7 Commitments for the acquisition of fixed assets		
14.8 Other commitments		
FX options (notional amount)		
Purchase	1,007,469	1,034,994
Sale	1,007,569	1,034,994
	2,388,164	1,350,386
Cross Currency Swaps (Notional)		
Forward repurchase agreement borrowings	-	1,000,000
Forward call borrowings	-	400,000
Outright purchase of Government Securities	-	200,850
	-	200,850
14.9 Taxation		
For assessment year 1988-89 through tax year 2015, 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. 5,361 million (2016: Rs. 2,873 million) which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.		
The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. No provision has been made in the financial statements regarding the aforesaid additional tax demand and already issued favourable decisions where the department is in appeal, as the management is of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities.		

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 30, 2017

	Half year ended	
	June 30, 2017	June 30, 2016
15. GAIN ON SALE OF SECURITIES - NET	---- (Rupees in '000) ----	
Federal Government Securities		
-Market Treasury Bills	1,683	2,504
-Pakistan Investment Bonds	17,307	71,385
Listed Shares	3,264,629	594,413
	3,283,619	668,302

16. TAXATION

This includes super tax at the rate of 4 percent of the taxable income for the tax year 2017, i.e. accounting year ended December 31, 2016. The effect of above levy has been incorporated in this condensed interim financial information and an amount of Rs.1,416 million (June 30, 2016: Rs.1,693 million) has been recognised as prior year tax charge.

	Half year ended	
	June 30, 2017	June 30, 2016
17. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX	---- (Rupees in '000) ----	
Profit after taxation	13,689,336	10,710,985
	<i>(Number of shares)</i>	
Weighted average number of shares outstanding during the period	1,113,030,748	1,113,030,748
	<i>(Rupees)</i>	
Basic and diluted Earnings per share - after tax	12.30	9.62

18. CREDIT RATING

PACRA through its notification dated June 19, 2017, has maintained bank's long term credit rating of AAA [triple A] and short-term credit rating of A1+ [A one plus].

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 30, 2017

	June 30, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
On balance sheet financial instruments								
Financial assets measured at fair value								
Held for trading securities								
- Shares in listed companies	246,574	-	-	246,574	147,284	-	-	147,284
- Market Treasury Bills	-	22,159,052	-	22,159,052	-	-	-	-
- Pakistan Investment Bonds	-	1,709,111	-	1,709,111	-	-	-	-
	246,574	23,868,163	-	24,114,737	147,284	-	-	147,284
Available-for-sale securities								
- Market Treasury Bills	-	422,071,408	-	422,071,408	-	296,507,499	-	296,507,499
- Pakistan Investment Bonds	-	252,781,134	-	252,781,134	-	204,586,538	-	204,586,538
- Treasury Bonds	-	702,640	-	702,640	-	-	-	-
- Shares in listed companies & REIT	21,501,224	-	-	21,501,224	21,328,447	-	-	21,328,447
- NIT units	9,262	-	-	9,262	9,682	-	-	9,682
- Term Finance Certificates (TFCs)	-	167,013	-	167,013	-	335,958	-	335,958
	21,510,486	675,722,195	-	697,232,681	21,338,129	501,429,995	-	522,768,124
Non - Financial Assets measured at fair value								
Operating fixed assets (land and buildings)	-	27,824,753	-	27,824,753	-	27,046,090	-	27,046,090
Non-banking assets	-	1,281,221	-	1,281,221	-	1,203,360	-	1,203,360
Off balance sheet financial instruments								
FX options purchase	-	1,039,534	-	1,039,534	-	1,037,011	-	1,037,011
FX options sale	-	975,705	-	975,705	-	1,032,977	-	1,032,977
Cross currency swaps - long position	-	1,274,460	-	1,274,460	-	706,075	-	706,075
Cross currency swaps - short position	-	1,127,583	-	1,127,583	-	652,594	-	652,594
Foreign exchange contracts purchase	-	82,199,347	-	82,199,347	-	49,155,812	-	49,155,812
Foreign exchange contracts sale	-	84,923,379	-	84,923,379	-	49,689,153	-	49,689,153

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)	Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Bankers' Association. The valuation is based on their assessment of market value of the properties.

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

20 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

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

	Half year ended June 30, 2016					
	------(Rupees in '000)-----					
Total income	102,441	10,906,750	15,140,988	3,304,453	-	29,454,632
Total expenses	(24,753)	(654,350)	(8,450,018)	(1,421,833)	-	(10,550,954)
Income tax expense	-	-	-	-	-	(8,192,693)
Net income	77,688	10,252,400	6,690,970	1,882,620	-	10,710,985
Segment assets - (Gross of NPLs provision)	579,827	705,479,528	819,644,566	273,710,641	(698,264,202)	1,101,150,360
Advance taxation (payment less provision)	-	-	-	-	-	2,270,040
Total assets	579,827	705,479,528	819,644,566	273,710,641	(698,264,202)	1,103,420,400
Segment non performing loans	-	-	7,005,086	13,551,476	-	20,556,562
Segment specific provision required	-	-	6,984,122	10,059,706	-	17,043,828
Segment liabilities	62,279	613,322,215	766,905,273	250,928,020	(698,264,202)	932,953,585
Deferred tax liabilities - net	-	-	-	-	-	12,146,234
Total liabilities - net	62,279	613,322,215	766,905,273	250,928,020	(698,264,202)	945,099,819
Segment return on assets (ROA) (%)	35.34%	3.09%	3.73%	2.51%	-	-
Segment cost of fund (%)	-	6.09%	3.35%	5.37%	-	-

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 Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

21 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 of this unconsolidated condensed interim financial information for the half year ended June 30, 2017.

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	
	Half year ended June 30, 2017	Year ended Dec 31, 2016	Half year ended June 30, 2017	Year ended Dec 31, 2016	Half year ended June 30, 2017	Year ended Dec 31, 2016	Half year ended June 30, 2017	Year ended Dec 31, 2016	Half year ended June 30, 2017	Year ended Dec 31, 2016
(Rupees in '000)										
A. Balances	2,542,067	1,719,008	2,568,584	2,859,600	38,868	12,836	5,852,008	6,649,313	105,761	139,106
	1,204,462	4,109,808	19,894,564	23,764,390	5,293,001	1,931,975	31,200,357	59,464,882	457,489	501,750
	(1,324,718)	(3,286,749)	(19,726,731)	(24,055,406)	(5,290,409)	(1,905,943)	(33,250,722)	(60,262,187)	(404,965)	(535,095)
	2,421,811	2,542,067	2,736,417	2,568,584	41,460	38,868	3,801,643	5,852,008	158,285	105,761
Advances	195	886	-	-	276,349	276,726	262,113	-	84,787	68,520
	(195)	(691)	-	-	-	-	1,429,175	2,398,324	16,567	33,519
	-	-	-	-	675	(377)	(887,085)	(2,136,211)	(7,585)	(17,252)
	-	195	-	-	277,024	276,349	804,203	262,113	93,769	84,787
Lendings to Financial Institutions	-	-	-	-	15,667,206	211,820	-	-	-	-
	-	-	-	-	(13,306,552)	1,922,779	-	-	-	-
	-	-	-	-	2,360,654	(2,134,599)	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Other Balances	1,617	731	-	-	-	-	737	225	2,325	2,537
	-	-	9,764	10,361	-	-	7,319,376	7,773,482	-	-
	-	-	-	-	156,495	-	135,169	373,856	-	-
	-	-	-	-	152	-	2,759,670	3,241,054	-	-
Borrowings outstanding	-	-	-	-	-	-	(350)	17,286	-	-
	-	-	-	-	-	-	524,270	936,788	-	-
	-	-	-	-	30,074	1,683	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Overdrawn nostro balance	8,442	7,266	74,325	30,601	-	-	-	-	-	-
	1,784	4,226	7,178	7,985	48	76	12,261	19,968	565	449
	-	-	812	788	21,690	15,501	4,371	68,295	-	-
	-	-	504	2,999	-	-	27,929	51,492	-	-
Markup receivable	-	-	-	-	7,689	2,629	3,241	3,163	1,440	1,152
	-	-	-	810	10,190	7,354	810	-	-	-
	-	-	-	114,557	16,270	32,052	-	1	-	-
	-	-	104,104	-	20,000	20,000	-	-	-	-
Commission receivable	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Advance received against sale of property	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-

Notes to the Unconsolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

	Directors		Associates		Subsidiary Companies		Other Related Parties		Key Management	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	-	-	-	-	-	5,901,988	-	-	-	-
Received against scheme of demerger	-	-	-	-	-	111,879	-	-	-	-
Insurance premium-net of refund	-	-	351,023	296,789	-	-	-	-	-	-
Insurance claim settled	-	-	7,474	4,966	-	-	-	-	-	-
Markup income on advances and lendings	2	18	-	-	41,742	10,498	9,037	1,011	3,789	2,539
Forward exchange contracts matured during the period	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on forward foreign exchange contracts matured during the period	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	189,755	141,658	55,435	55,435	16320	54,497	-	-
Commission income	-	-	505,509	396,523	77,945	58,402	3,790	4,591	-	-
Rent income and reimbursement of other expenses	-	-	1,671	1,974	5,791	5,444	1,620	2,160	-	-
Outsourcing service expenses	-	-	73,925	63,913	-	-	-	-	-	-
Sale of foreign currency	-	-	-	-	4,701,548	1,705,680	-	-	-	-
Purchase of foreign currency	-	-	-	-	1,767,536	134,283	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	3	19
Gain / (loss) on sale of fixed assets	-	-	-	-	-	-	-	-	3	19
Cash sorting expenses	-	-	-	-	-	-	25,192	26,871	-	-
Stationery expenses	-	-	-	-	-	-	87,756	87,468	-	-
Security guards expenses	-	-	-	-	-	-	194,711	195,265	-	-
Remuneration and non-executive directors fee	81,140 48,231	77,591 39,268	- -	- -	- -	- -	- -	- -	280,173	267,522
Mark-up expense	-	-	34,969	25,833	303	185	77,669	128,213	909	589
Clearing expenses paid to NIFT	-	-	-	-	-	-	62,318	66,296	-	-
Contribution to provident fund	-	-	-	-	-	-	135,432	122,848	-	-
Rent and other expenses	-	-	907	3,464	3,927	5,355	26,774	511	-	-
Call borrowing deals entered and matured during the period	-	-	-	-	-	-	1,200,000	1,075,000	-	-
Sale of government securities	-	-	4,408,586	1,756,781	-	-	6,812,188	3,785,357	-	-
Purchase of government securities	-	-	3,413,026	4,158,389	-	-	5,765,748	6,838,928	-	-
Gain / (loss) on sale of government securities	-	-	26	(44)	-	-	114	2,501	-	-
Miscellaneous expenses and payments.	-	-	-	-	-	-	18,129	23,191	-	-

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 Information (Un-audited)
For the half year ended June 30, 2017

22 GENERAL

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

23 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on August 25, 2017 has announced cash dividend in respect of the half year ended June 30, 2017 of Rs. 4.00 per share (June 30, 2016: Rs. 4.00 per share). This unconsolidated condensed interim financial information for the half year ended June 30, 2017 does not include the effect of this appropriation which will be accounted for subsequent to the period end.

24 DATE OF AUTHORIZATION FOR ISSUE

This unconsolidated condensed interim financial information was authorized for issue by the Board of Directors of the Bank in their meeting held on August 25, 2017.

Imran Maqbool
President / CEO

Nor Hizam Bin Hashim
Director


Samir Iqbal Saigol
 Director


Muhammad Ali Zeb
Director



MCB BANK LIMITED

(Consolidated Condensed Interim Financial Information for the six months period ended June 30, 2017)



Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2017

	Note	Unaudited June 30, 2017	Audited December 31, 2016
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		100,496,079	75,732,185
Balances with other banks		10,408,801	7,201,459
Lendings to financial institutions	7	2,800,827	2,809,752
Investments - net	8	752,156,965	556,770,384
Advances - net	9	414,820,425	364,333,516
Operating fixed assets	10	36,878,559	35,225,865
Deferred tax assets - net		-	-
Other assets - net		38,906,799	34,617,075
		1,356,468,455	1,076,690,236
Liabilities			
Bills payable		12,951,467	13,291,328
Borrowings	11	238,739,275	77,438,993
Deposits and other accounts	12	914,248,381	795,689,546
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	13	11,364,433	12,889,649
Other liabilities		31,586,651	31,420,650
		1,208,890,207	930,730,166
Net assets		147,578,248	145,960,070
Represented by			
Share capital		11,130,307	11,130,307
Reserves		54,804,831	53,512,633
Unappropriated profit		58,170,116	55,509,013
Total equity attributable to the equity holders of the Bank		124,105,254	120,151,953
Non-controlling interest		513,447	509,331
		124,618,701	120,661,284
Surplus on revaluation of assets - net of tax		22,959,547	25,298,786
		147,578,248	145,960,070

Contingencies and commitments

14

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.


Imran Maqbool
President / CEO


Nor Hizam Bin Hashim
Director


Samir Iqbal Saigol
Director


Muhammad Ali Zeb
Director

Consolidated Condensed Interim Profit and Loss Account (Un-audited)
For the half year ended June 30, 2017

Note	Quarter ended June 30, 2017	Half year ended June 30, 2017	Quarter ended June 30, 2016	Half year ended June 30, 2016
----- (Rupees in '000) -----				
Mark-up / return / interest earned	19,199,005	36,915,119	19,289,118	37,304,232
Mark-up / return / interest expensed	8,646,190	16,382,096	6,863,626	13,274,512
Net mark-up / interest income	10,552,815	20,533,023	12,425,492	24,029,720
Provision / (reversal) against loans and advances - net	(1,185,509)	(1,940,509)	(138,176)	(568,834)
Provision / (reversal) for diminution in the value of investments - net	710,117	587,107	4,479	4,479
Bad debts written off directly	-	14	6	18
	(475,392)	(1,353,388)	(133,691)	(564,337)
Net mark-up / interest income after provisions	11,028,207	21,886,411	12,559,183	24,594,057
Non mark-up / interest income				
Fee, commission and brokerage income	2,597,709	4,953,644	2,111,501	4,206,793
Dividend income	304,757	614,852	154,337	564,702
Income from dealing in foreign currencies	421,828	719,374	287,749	505,623
Gain on sale of securities - net	1,159,465	3,246,977	519,447	681,683
Unrealized gain/(loss) on revaluation of investments classified as held for trading	(18,937)	(42,620)	(4,089)	1,151
Other income	206,643	328,182	136,801	300,533
Total non mark-up / interest income	4,671,465	9,820,409	3,205,746	6,260,485
	15,699,672	31,706,820	15,764,929	30,854,542
Non mark-up / interest expenses				
Administrative expenses	6,780,478	13,400,981	5,582,674	11,355,914
Other provision - net	547,845	559,987	12,696	31,841
Other charges	204,915	422,328	233,272	438,271
Total non mark-up / interest expenses	7,533,238	14,383,296	5,828,642	11,826,026
	8,166,434	17,323,524	9,936,287	19,028,516
Share of profit of associates	161,336	355,202	279,107	506,659
Extraordinary / unusual item	-	-	-	-
Profit before taxation	8,327,770	17,678,726	10,215,394	19,535,175
Taxation - current period	2,849,052	6,209,140	3,516,420	6,774,917
- prior years	(2,175,828)	(2,175,828)	1,693,330	1,693,330
- deferred	(85,471)	(33,217)	74,648	(28,370)
Share of tax of associates	58,206	67,128	71,718	87,544
	645,959	4,067,223	5,356,116	8,527,421
Profit after taxation	7,681,811	13,611,503	4,859,278	11,007,754
Profit attributable to Non-controlling interest	(23,951)	(56,268)	(31,074)	(61,024)
Profit attributable to ordinary share holders	7,657,860	13,555,235	4,828,204	10,946,730
----- (In Rupees) -----				
Earnings per share - basic and diluted	6.88	12.18	4.34	9.84

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.


Imran Maqbool
President / CEO


Nor Hizam Bin Hashim
Director


Samir Iqbal Saigol
Director


Muhammad Ali Zeb
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the half year ended June 30, 2017

	Quarter ended June 30, 2017	Half year ended June 30, 2017	Quarter ended June 30, 2016	Half year ended June 30, 2016
----- (Rupees in '000) -----				
Profit after tax for the period	7,681,811	13,611,503	4,859,278	11,007,754
Other comprehensive income				
Items that will not be reclassified to profit and loss account				
Remeasurement of defined benefit plans - net of tax	(642,454)	(642,454)	(81,063)	(81,063)
Items that may be reclassified to profit and loss account				
Effect of translation of net investment in foreign branches and subsidiaries	(31,015)	(61,499)	40,862	(30,974)
- Equity shareholders of the Bank	13	413	-	1
- Minority interest	(31,002)	(61,086)	40,862	(30,973)
Share of exchange translation reserve of associate	(846)	(21,181)	6	(2,453)
Comprehensive income transferred to equity	7,007,509	12,886,782	4,819,083	10,893,265
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	(2,625,621)	(3,145,715)	1,216,453	2,640,972
Deferred tax	910,455	1,090,608	(414,483)	(911,975)
	(1,715,166)	(2,055,107)	801,970	1,728,997
Total comprehensive income for the period	5,292,343	10,831,675	5,621,053	12,622,262

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.


Imran Maqbool
President / CEO


Nor Hizam Bin Hashim
Director


Samir Iqbal Saigol
Director


Muhammad Ali Zeb
Director



Consolidated Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended June 30, 2017

	June 30, 2017	June 30, 2016
----- (Rupees in '000) -----		
Cash flows from operating activities		
Profit before taxation	17,678,726	19,535,175
Less: Dividend income and share of profit of associates	(970,054)	(1,071,361)
	16,708,672	18,463,814
Adjustments for:		
Depreciation	839,305	819,662
Amortization	139,372	200,592
Bad debts written off directly	14	18
Provision / (reversal) against loans and advances - net	(1,940,509)	(568,834)
Provision / (reversal) for diminution in the value of investments - net	587,107	4,479
Other provision - net	559,987	31,841
Provision for Workers' Welfare Fund	354,512	378,074
Charge / (reversal) for defined benefit plans	(53,968)	(94,245)
Unrealized loss on revaluation of investments classified as held for trading	42,620	(1,151)
Gain on sale of shares in associate	(286,706)	(29,567)
Gain on disposal of fixed assets - net	(9,050)	(69,360)
	232,684	671,509
	16,941,356	19,135,323
(Increase) / decrease in operating assets		
Lendings to financial institutions	8,925	1,554,153
Net investment in held for trading securities	(24,088,623)	(239,598)
Advances - net	(48,546,414)	(41,300,510)
Other assets - net	(788,961)	(4,700,964)
	(73,415,073)	(44,686,919)
Increase / (decrease) in operating liabilities		
Bills payable	(339,861)	(152,130)
Borrowings	161,021,334	24,720,583
Deposits and other accounts	118,558,835	61,955,200
Other liabilities	(703,050)	(2,113,870)
	278,537,258	84,409,783
	222,063,541	58,858,187
	(156,663)	(190,507)
	(8,471,388)	(7,862,161)
	213,435,490	50,805,519
Net cash flows from operating activities		
Cash flows from investing activities		
Net investments in available-for-sale securities	(180,074,330)	(24,949,869)
Net investments in held-to-maturity securities	4,171,394	(5,328,749)
Dividend income received	818,023	705,176
Proceeds from divestment in associate	782,816	118,280
Sale proceeds of property and equipment disposed off	16,288	161,628
Investment in operating fixed assets	(2,630,381)	(1,515,957)
	(176,916,190)	(30,809,491)
Net cash flows from investing activities		
Cash flows from financing activities		
Dividend paid	(8,765,926)	(9,234,505)
	(8,765,926)	(9,234,505)
Net cash flows from financing activities		
Exchange difference on translation of net investment in foreign branches & subsidiaries	(61,086)	(30,973)
	27,692,288	10,730,550
Cash and cash equivalents at January 1	82,777,787	70,827,983
Cash and cash equivalents at June 30	110,470,075	81,558,533

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.


Imran Maqbool
President / CEO


Nor Hizam Bin Hashim
Director


Samir Iqbal Saigol
Director


Muhammad Ali Zeb
Director



Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended June 30, 2017

	Capital Reserves			Revenue Reserves			Sub Total	Non Controlling Interest	Total
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit			
(Rupees in'000)									
Balance as at December 31, 2015	11,130,307	9,924,438	269,360	22,697,586	18,600,000	52,631,368	115,253,059	512,076	115,765,135
Change in equity for six months ended June 30, 2016									
Total comprehensive income for the six months ended June 30, 2016									
Profit after taxation for six months period ended June 30, 2016	-	-	-	-	-	10,946,730	10,946,730	61,024	11,007,754
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	(81,063)	(81,063)	-	(81,063)
Exchange differences on translation of net investment in foreign branches	-	-	(30,974)	-	-	-	(30,974)	1	(30,973)
Share of exchange translation reserve of associate	-	-	(2,453)	-	-	-	(2,453)	-	(2,453)
	-	-	(33,427)	-	-	10,865,667	10,832,240	61,025	10,893,265
Transactions with owners recognized directly in equity									
Final cash dividend at Rs. 4.0 per share - December 31, 2015	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - March 31, 2016	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
	-	-	-	-	-	(8,904,246)	(8,904,246)	-	(8,904,246)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	32,734	32,734	-	32,734
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	(52,565)	(52,565)
Transferred to statutory reserve	-	-	-	1,087,166	-	(1,087,166)	-	-	-
Balance as at June 30, 2016	11,130,307	9,924,438	235,933	23,784,752	18,600,000	53,538,357	117,213,787	520,536	117,734,323
Change in equity for six months ended December 31, 2016									
Total comprehensive income for the six months ended December 31, 2016									
Profit after taxation for six months period ended December 31, 2016	-	-	-	-	-	11,116,258	11,116,258	50,133	11,166,391
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	861,592	861,592	-	861,592
Exchange differences on translation of net investment in foreign branches	-	-	(140,143)	-	-	-	(140,143)	(12)	(140,155)
Share of exchange translation reserve of associate	-	-	(11,197)	-	-	-	(11,197)	-	(11,197)
	-	-	(151,340)	-	-	11,977,850	11,826,510	50,121	11,876,631
Transactions with owners recognized directly in equity									
Interim cash dividend at Rs. 4.0 per share - June 30, 2016	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - September 30, 2016	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
	-	-	-	-	-	(8,904,246)	(8,904,246)	-	(8,904,246)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	15,902	15,902	-	15,902
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	(61,326)	(61,326)
Transferred to statutory reserve	-	-	-	1,118,850	-	(1,118,850)	-	-	-
Balance as at December 31, 2016	11,130,307	9,924,438	84,593	24,903,602	18,600,000	55,509,013	120,151,953	509,331	120,661,284
Change in equity for six months ended June 30, 2017									
Profit after taxation for six months period ended June 30, 2017									
Profit after taxation for six months period ended June 30, 2017	-	-	-	-	-	13,555,235	13,555,235	56,268	13,611,503
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	(642,454)	(642,454)	-	(642,454)
Exchange differences on translation of net investment in foreign branches & subsidiaries	-	-	(61,499)	-	-	-	(61,086)	413	(61,086)
Share of exchange translation reserve of associate	-	-	(21,181)	-	-	-	(21,181)	-	(21,181)
	-	-	(82,680)	-	-	12,912,781	12,830,101	56,681	12,886,782
Transactions with owners recognized directly in equity									
Final cash dividend at Rs. 4.0 per share - December 31, 2016	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - March 31, 2017	-	-	-	-	-	(4,452,123)	(4,452,123)	-	(4,452,123)
	-	-	-	-	-	(8,904,246)	(8,904,246)	-	(8,904,246)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	27,446	27,446	-	27,446
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	(52,565)	(52,565)
Transferred to statutory reserve	-	-	-	1,374,878	-	(1,374,878)	-	-	-
Balance as at June 30, 2017	11,130,307	9,924,438	1,913	26,278,480	18,600,000	58,170,116	124,105,254	513,447	124,618,701

The annexed notes 1 to 25 form an integral part of this consolidated condensed interim financial information.


Imran Maqbool
President / CEO


Nor Hizam Bin Hashim
Director


Samir Iqbal Saigol
Director


Muhammad Ali Zeb
Director

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

For the half year ended June 30, 2017

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

"Percentage holding of
MCB Bank Limited"

99.99%
99.95%
51.329%
99.94%
100.00%

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 1,233 branches (December 31, 2016: 1,227 branches) within Pakistan and 11 branches (December 31, 2016: 11 branches) outside the country (including the Karachi Export Processing Zone Branch).

- 1.1 The State Bank of Pakistan, through its letter BPRD (R&P-02)/2017/14329 dated June 13, 2017, has approved the scheme of amalgamation and granted sanction order for the amalgamation of NIB Bank Limited with and into the Bank. This is effective from the close of business on July 07, 2017 (the effective date). The Committee of the Board of Directors of MCB Bank Limited (MCB), in their meeting held on December 07, 2016, approved and resolved to present the draft Scheme of Amalgamation of NIB Bank Limited (NIB) with and into MCB before the shareholders of MCB for their approval. The shareholders of MCB approved the Scheme of Amalgamation in the Extraordinary General Meeting (EOGM) held on January 23, 2017 as per the procedure provided in Section 48 of the Banking Companies Ordinance, 1962. The acquisition has added 170 branches, incremental deposit of Rs. 82 billion and incremental gross advances of Rs.98 billion. The Bank has issued 72,029,258 ordinary shares of MCB in aggregate in favour of the shareholders of NIB on the basis of a swap ratio of 1 (one) ordinary share of MCB for every 140.043 ordinary shares of NIB Bank. The Financial impact of this takeover will be reflected in MCB Bank's Financial Statements for the nine months ending September 30, 2017.

2 BASIS OF PRESENTATION

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

- 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 information for the period ended June 30, 2016 and the carrying value of investments held by the Group is eliminated against the subsidiaries' shareholders' equity in this consolidated condensed interim financial information. 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 information for the period ended June 30, 2017.
- 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 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 this consolidated condensed interim financial information as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.

- 2.3 The financial results of the Group's Islamic Banking business have been consolidated in this financial information for reporting purposes, after eliminating material inter-group transactions / balances. Key financial figures of the Islamic Banking business are disclosed in note 20 to this consolidated condensed interim financial information.

- 2.4 For the purpose of translation, rates of Rs. 104.8540 per US Dollar (December 31, 2016: Rs. 104.5985).

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

For the half year ended June 30, 2017

3 STATEMENT OF COMPLIANCE

- 3.1 The consolidated condensed interim financial information of the Bank has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its press release dated July 20, 2017, this consolidated condensed interim financial information has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

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

- 3.3 The disclosures made in this consolidated condensed interim financial information 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 this consolidated condensed interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2016.

- 3.4 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 consolidated condensed interim financial information to the extent of their applicability to these mutual funds.

4 BASIS OF MEASUREMENT

- 4.1 This consolidated condensed interim financial information has been prepared under the historical cost convention except that certain fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and commitments in respect of certain forward foreign exchange contracts 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 This consolidated condensed interim financial information is 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 this consolidated condensed interim financial information are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2016.

- 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, 2016.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for significant accounting estimates and judgments adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2016.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Call money lendings	1,755,604	558,800
Repurchase agreement lendings	1,045,223	2,250,952
	2,800,827	2,809,752

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

		June 30, 2017		
		Held by bank	Given as collateral	Total
		----- Rupees in '000 -----		
8. INVESTMENTS - NET				
8.1 Investments by types				
Held-for-trading securities		16,641,602	7,952,724	24,594,326
Available-for-sale securities	8.2	496,320,856	196,480,492	692,801,348
Held-to-maturity securities		18,293,144	-	18,293,144
		531,255,602	204,433,216	735,688,818
Associates				
- Adamjee Insurance Company Limited	8.3	4,540,453	-	4,540,453
- Euronet Pakistan (Private) Limited	8.4	77,526	-	77,526
		4,617,979	-	4,617,979
Investments at cost		535,873,581	204,433,216	740,306,797
Less: Provision for diminution in the value of investments		(2,473,928)	-	(2,473,928)
Investments (net of provisions)		533,399,653	204,433,216	737,832,869
Surplus / (deficit) on revaluation of available for sale securities - net		14,450,508	(83,792)	14,366,716
Surplus / (deficit) on revaluation of held-for-trading securities - net		(40,912)	(1,708)	(42,620)
Investments at revalued amounts - net of provisions		547,809,249	204,347,716	752,156,965
December 31, 2016				
		Held by bank	Given as collateral	Total
		----- Rupees in '000 -----		
Held-for-trading securities		500,089	-	500,089
Available-for-sale securities	8.2	473,774,763	38,952,255	512,727,018
Held-to-maturity securities		22,417,040	47,498	22,464,538
		496,691,892	38,999,753	535,691,645
Associates				
- Adamjee Insurance Company Limited	8.3	5,375,158	-	5,375,158
- Euronet Pakistan (Private) Limited	8.4	72,357	-	72,357
		5,447,515	-	5,447,515
Investments at cost		502,139,407	38,999,753	541,139,160
Less: Provision for diminution in the value of investments		(1,886,821)	-	(1,886,821)
Investments (net of provisions)		500,252,586	38,999,753	539,252,339
Surplus / (deficit) on revaluation of available for sale securities - net		17,520,972	(8,541)	17,512,431
Surplus / (deficit) on revaluation of held-for-trading securities - net		5,614	-	5,614
Investments at revalued amounts - net of provisions		517,779,172	38,991,212	556,770,384
8.2	Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (December 31, 2016: 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, 2016: 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. 695.651 million (December 31, 2016: Rs. 792.875 million) as at June 30, 2017 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2017 amounted to Rs. 5,138.035 million (December 31, 2016: Rs. 6,351.272 million).			
	Investment in Adamjee Insurance Company Limited under equity method - holding 21.47% (2016: 24.48%)			
		Note	June 30, 2017	December 31, 2016
			----- (Rupees in '000) -----	
Opening Balance			5,375,158	5,456,165
Share of profit for the period / year before tax			345,775	927,454
Dividend from associate			(189,755)	(273,641)
Share of tax			(62,870)	(170,861)
			93,150	482,952
Share of other comprehensive income	8.3.1		(268,744)	52,213
Disposal during the period / year			(659,111)	(616,172)
Closing Balance			4,540,453	5,375,158
8.3.1 Share of other comprehensive income				
Share of unrealized surplus / (deficit) on assets -net of tax			(261,857)	51,160
Share of exchange translation reserve of associate			(6,887)	1,053
			(268,744)	52,213

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

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

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

	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Opening Balance	72,357	64,962
Share of profit for the period / year before tax	9,427	19,320
Share of tax	(4,258)	(11,925)
	5,169	7,395
Closing Balance	77,526	72,357

9. ADVANCES - NET

Loans, cash credits, running finances, etc

- In Pakistan

- Outside Pakistan

Islamic Financing and related assets

Net Investment in finance lease

- In Pakistan

- Outside Pakistan

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan

- Payable outside Pakistan

Advances - gross

Less: Provision against loans and advances

- Specific provision

- General provision

- General provision against consumer loans & small enterprise loans

- General provision by overseas operations

Advances - net of provision

	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	
	372,147,088	336,403,574
	19,911,778	17,909,754
	392,058,866	354,313,328
	24,973,898	16,174,001
	2,300,622	1,812,760
	569,497	537,731
	2,870,119	2,350,491
	5,356,024	5,768,909
	7,274,032	5,426,101
	12,630,056	11,195,010
	432,532,939	384,032,830
	(16,724,860)	(18,939,120)
	(556,037)	(367,926)
	(367,953)	(345,791)
	(63,664)	(46,477)
	(17,712,514)	(19,699,314)
	414,820,425	364,333,516

Notes to the Consolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 30, 2017

9.1 Advances include Rs. 22,478,523 million (December 31, 2016: Rs. 21,689,279 million) which have been placed under non-performing status as detailed below:

Note	June 30, 2017				
	Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification	Domestic	Overseas	Total		
----- (Rupees in '000) -----					
Other Assets Especially Mentioned (OAEM)	66,642	-	66,642	3,980	3,980
Substandard	3,114,812	24,819	3,139,631	34,521	34,521
Doubtful	92,766	109,141	201,907	100,953	100,953
Loss	13,721,505	5,348,838	19,070,343	16,585,406	16,585,406
	16,995,725	5,482,798	22,478,523	16,724,860	16,724,860

Note	December 31, 2016				
	Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification	Domestic	Overseas	Total		
----- (Rupees in '000) -----					
Other Assets Especially Mentioned (OAEM)	31,918	-	31,918	1,617	1,617
Substandard	72,424	2,487	74,911	18,520	18,520
Doubtful	307,754	55,532	363,286	181,643	181,643
Loss	15,927,379	5,291,785	21,219,164	18,737,340	18,737,340
	16,339,475	5,349,804	21,689,279	18,939,120	18,939,120

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 fully secured performing portfolio and 2% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

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

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

10. OPERATING FIXED ASSETS

	June 30, 2017	December 31, 2016
Capital work-in-progress	2,156,203	1,744,090
Property and equipment	34,018,895	32,747,037
Intangible asset	703,461	734,738
	36,878,559	35,225,865

10.1 Additions and disposals during the period amounted to Rs. 2,630,381 million (June 30, 2016: Rs. 1,515,957 million) and Rs. 7,238 million (June 30, 2016: Rs. 92,268 million), respectively.

11. BORROWINGS

	June 30, 2017	December 31, 2016
In Pakistan	234,938,152	72,962,270
Outside Pakistan	3,801,123	4,476,723
	238,739,275	77,438,993

11.1. Details of borrowings (secured / unsecured)

Secured		
Borrowings from State Bank of Pakistan		
Export refinance scheme	13,552,977	12,921,066
Long term financing facility	7,353,584	5,841,088
Financing facility for storage of agricultural produce	269,188	318,490
	21,175,749	19,080,644
Repurchase agreement borrowings	204,388,885	38,984,230
	225,564,634	58,064,874
Unsecured		
Borrowings from other financial institutions	888,637	3,730,480
Call borrowings	11,851,199	15,487,782
Overdrawn nostro accounts	434,805	155,857
	13,174,641	19,374,119
	238,739,275	77,438,993

Notes to the Consolidated Condensed Interim Financial Information (Un-audited) For the half year ended June 30, 2017

12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits
Savings deposits
Current accounts
Margin accounts

Financial institutions

Remunerative deposits
Non-remunerative deposits

	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	
Fixed deposits	53,930,146	49,292,487
Savings deposits	469,892,331	432,501,128
Current accounts	358,306,820	287,172,315
Margin accounts	9,094,682	7,003,787
	891,223,979	775,969,717
Remunerative deposits	15,102,700	12,657,796
Non-remunerative deposits	7,921,702	7,062,033
	23,024,402	19,719,829
	914,248,381	795,689,546

13. 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
Investments in associated undertaking
Surplus / deficit on revaluation of securities

Deductible temporary differences on:

Provision for bad debts
Provision for post retirement benefits
Taxable losses
Others

Surplus on revaluation of operating fixed assets	1,066,162	1,080,165
Surplus on revaluation of Non-banking assets	76,111	76,111
Accelerated tax depreciation	1,509,782	1,511,887
Receivable from pension fund	2,561,781	2,720,719
Investments in associated undertaking	1,312,301	1,563,003
Surplus / deficit on revaluation of securities	4,914,948	6,005,556
	11,441,085	12,957,441
Provision for bad debts	(13,476)	(7,048)
Provision for post retirement benefits	(480)	(7,945)
Taxable losses	(28,811)	(34,142)
Others	(33,885)	(18,657)
	(76,652)	(67,792)
	11,364,433	12,889,649

14. CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring

- Government
- Banks and financial institutions
- Others

Government	44,661,563	28,098,810
Banks and financial institutions	5,629,939	3,848,002
Others	2,541,829	2,010,891
	52,833,331	33,957,703

14.2 Transaction-related contingent liabilities

Guarantees in favour of:

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

Government	25,323,823	16,486,907
Banks and financial institutions	35,065	60,034
Others	11,790,960	12,671,980
Suppliers credit / payee guarantee	1,993,023	1,930,979
	39,142,871	31,149,900
	139,743,359	131,203,542

14.3 Trade-related contingent liabilities

14.4 Other contingencies

Claims against the Bank not acknowledged as debts

Claims against the Bank not acknowledged as debts	5,583,495	7,345,639
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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 this consolidated condensed interim financial information.

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

14.5 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.

	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	

14.6 Commitments in respect of forward foreign exchange contracts

Purchase	82,248,283	49,411,339
Sale	84,838,472	49,341,990

14.7 Commitments for the acquisition of fixed assets

	505,555	651,060
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	June 30, 2017	December 31, 2016
	----- (Rupees in '000) -----	

14.8 Other commitments

FX options (notional amount)		
Purchase	1,007,469	1,034,994
Sale	1,007,569	1,034,994
Cross Currency Swaps (Notional)	2,388,164	1,350,386
Forward repurchase agreement borrowings	-	1,000,000
Forward call borrowings	-	400,000
Outright purchase of Government Securities	-	200,850

14.9 Taxation

For assessment year 1988-89 through tax year 2015, 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. 5,361 million (2016: Rs. 2,873 million) which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

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

	Half year ended	
	June 30, 2017	June 30, 2016
	---- (Rupees in '000) ----	

15. GAIN ON SALE OF SECURITIES - NET

Federal Government Securities		
-Market Treasury Bills	1,683	2,504
-Pakistan Investment Bonds	17,307	71,385
Listed Shares/Units	3,227,987	607,794
	3,246,977	681,683

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

16. TAXATION

This includes super tax at the rate of 4 percent of the taxable income for the tax year 2017, i.e. accounting year ended December 31, 2016. The effect of above levy has been incorporated in this condensed interim financial information and an amount of Rs.1,416 million (June 30, 2016: Rs.1,693 million) has been recognised as prior year tax charge.

	Half year ended	
	June 30, 2017	June 30, 2016
	---- (Rupees in '000) ----	

17. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

Profit after taxation	13,555,235	10,946,730
	(Number of shares)	
Weighted average number of shares outstanding during the period	1,113,030,748	1,113,030,748
	(Rupees)	
Basic and diluted Earnings per share - after tax	12.18	9.84

18. CREDIT RATING

PACRA through its notification dated June 19, 2017, has maintained bank's long term credit rating of AAA [triple A] and short-term credit rating of A1+ [A one plus].

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The 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.

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

	Fair Value							
	June 30, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(Rupees in thousand)							
On balance sheet financial instruments								
Financial assets measured at fair value								
Held for trading securities								
- Shares in listed companies	246,574	-	-	246,574	147,284	-	-	147,284
- Units in open ended mutual funds	436,969	-	-	436,969	358,419	-	-	358,419
- Market Treasury Bills	-	22,159,052	-	22,159,052	-	-	-	-
- Pakistan Investment Bonds	-	1,709,111	-	1,709,111	-	-	-	-
	683,543	23,868,163	-	24,551,706	505,703	-	-	505,703
Available-for-sale securities								
- Market Treasury Bills	-	422,071,408	-	422,071,408	-	296,652,703	-	296,652,703
- Pakistan Investment Bonds	-	252,781,134	-	252,781,134	-	204,586,538	-	204,586,538
- Treasury Bonds	-	702,640	-	702,640	-	-	-	-
- Shares in listed companies & REIT	23,142,178	-	-	23,142,178	22,391,711	-	-	22,391,711
- Units in open ended mutual funds	832,412	-	-	832,412	812,201	-	-	812,201
- NIT units	9,262	-	-	9,262	9,682	-	-	9,682
- Sukuk Bonds	-	4,980,696	-	4,980,696	-	3,556,411	-	3,556,411
- Term Finance Certificates (TFCs)	-	167,013	-	167,013	-	335,958	-	335,958
	23,983,852	680,702,891	-	704,686,743	23,213,594	505,131,610	-	528,345,204
Non - Financial Assets measured at fair value								
Operating fixed assets (land and buildings)	-	28,847,753	-	28,847,753	-	27,957,849	-	27,957,849
Non-banking assets	-	1,281,221	-	1,281,221	-	1,203,360	-	1,203,360
Off balance sheet financial instruments								
FX options purchase	-	1,039,534	-	1,039,534	-	1,037,011	-	1,037,011
FX options sale	-	975,705	-	975,705	-	1,032,977	-	1,032,977
Cross currency swaps - long position	-	1,274,460	-	1,274,460	-	706,075	-	706,075
Cross currency swaps - short position	-	1,127,583	-	1,127,583	-	652,594	-	652,594
Foreign exchange contracts purchase	-	82,355,842	-	82,355,842	-	49,155,812	-	49,155,812
Foreign exchange contracts sale	-	84,930,972	-	84,930,972	-	49,689,153	-	49,689,153

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, Sukuk Bonds, 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)	Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Bankers' Association. The valuation is based on their assessment of market value of the properties.
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.

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

20 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Half year ended June 30, 2017						Total
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Inter segment elimination	
	(Rupees in '000)						
Total income	146,061	9,686,750	17,058,416	3,454,925	362,482	-	30,708,634
Total expenses	(47,653)	(1,798,106)	(10,326,553)	(659,488)	(198,108)	-	(13,029,908)
Income tax expense	-	-	-	-	-	-	(4,067,223)
Net income	98,408	7,888,644	6,731,863	2,795,437	164,374	-	13,611,503
Segment assets - (Gross of NPLs Provisions)	920,298	866,564,306	963,188,237	344,159,412	2,269,940	(814,746,824)	1,362,355,369
Advance taxation (payment less provision)	-	-	-	-	-	-	10,837,946
Total assets	920,298	866,564,306	963,188,237	344,159,412	2,269,940	(814,746,824)	1,373,193,315
Segment non performing loans	-	-	6,573,007	15,905,516	-	-	22,478,523
Segment specific provision required	-	-	6,552,721	10,172,139	-	-	16,724,860
Segment liabilities	166,808	793,180,939	928,898,370	289,336,078	690,403	(814,746,824)	1,197,525,774
Deferred tax liabilities - net	-	-	-	-	-	-	11,364,433
Total liabilities - net	166,808	793,180,939	928,898,370	289,336,078	690,403	(814,746,824)	1,208,890,207
Segment return on assets (ROA) (%)	31.74%	2.24%	3.57%	2.07%	31.94%	-	-
Segment cost of fund (%)	-	5.66%	3.26%	5.51%	-	-	-

	Half year ended June 30, 2016						
	(Rupees in '000)						
Total income	123,537	11,134,977	15,316,275	3,890,476	331,599	-	30,796,864
Total expenses	(39,942)	(803,568)	(8,460,721)	(1,813,330)	(144,128)	-	(11,261,689)
Income tax expense	-	-	-	-	-	-	(8,527,421)
Net income	83,595	10,331,409	6,855,554	2,077,146	187,471	-	11,007,754
Segment assets - (Gross of NPLs provision)	693,040	715,830,097	821,646,399	296,480,203	2,173,871	(711,515,864)	1,125,307,746
Advance taxation (payment less provision)	-	-	-	-	-	-	2,289,612
Total assets	693,040	715,830,097	821,646,399	296,480,203	2,173,871	(711,515,864)	1,127,597,358
Segment non performing loans	-	-	7,006,115	13,701,476	-	-	20,707,591
Segment specific provision required	-	-	6,985,151	10,134,706	-	-	17,119,857
Segment liabilities	116,904	624,906,205	770,942,918	266,247,101	624,642	(711,515,864)	951,321,906
Deferred tax liabilities - net	-	-	-	-	-	-	13,340,311
Total liabilities - net	116,904	624,906,205	770,942,918	266,247,101	624,642	(711,515,864)	964,662,217
Segment return on assets (ROA) (%)	35.65%	3.11%	3.76%	2.72%	30.51%	-	-
Segment cost of fund (%)	-	6.09%	3.35%	5.37%	-	-	-

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.



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For the half year ended June 30, 2017

21 RELATED PARTY TRANSACTIONS AND BALANCES
The Group has related party relationship with its associates 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 of this consolidated condensed interim financial information for the half year ended June 30, 2017.
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	
	Half year ended June 30, 2017	Year ended Dec 31, 2016	Half year ended June 30, 2017	Year ended Dec 31, 2016	Half year ended June 30, 2017	Year ended Dec 31, 2016	Half year ended June 30, 2017	Year ended Dec 31, 2016
(Rupees in '000)								
A. Balances								
Deposits								
Opening balance	2,542,067	1,719,008	2,568,584	2,859,600	5,852,008	6,649,313	105,761	139,106
Received during the period / year	1,204,462	4,109,808	19,894,564	23,764,390	31,200,357	59,464,882	457,489	501,750
Withdrawn during the period / year	(1,324,718)	(3,286,749)	(19,726,731)	(24,055,406)	(33,250,722)	(60,282,187)	(404,965)	(535,095)
Closing balance	2,421,811	2,542,067	2,736,417	2,568,584	3,801,643	5,852,008	158,285	105,761
Advances								
Opening balance	195	886	-	-	262,113	-	84,787	68,520
Additions / adjustments during the period / year	-	-	-	-	1,429,175	2,398,324	16,567	33,519
Repaid / adjustments during the period / year	(195)	(691)	-	-	(887,085)	(2,136,211)	(7,585)	(17,252)
Closing balance	-	195	-	-	804,203	262,113	93,769	84,787
Other Balances								
Outstanding balance of credit cards	1,617	731	-	-	737	225	2,325	2,537
Receivable from Pension Fund	-	-	-	-	7,319,376	7,773,482	-	-
Commitments and contingent liabilities - outstanding	-	-	9,764	10,361	135,169	373,856	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	2,759,670	3,241,054	-	-
Unrealized gain / (loss) on forward foreign exchange contracts - outstanding	-	-	-	-	(350)	17,286	-	-
Borrowings outstanding	-	-	-	-	524,270	936,788	-	-
Trade payable	-	-	74,325	30,601	-	-	-	-
Markup payable	8,442	7,266	7,178	7,985	12,261	19,968	565	449
Other payable	1,784	4,226	812	788	4,371	68,295	-	-
Other advances	-	-	504	2,999	27,929	51,492	-	-
Markup receivable	-	-	-	-	3,241	3,163	1,440	1,152
Other receivable	-	-	-	810	810	-	-	-
Commission receivable	-	-	104,104	114,557	-	1	-	-



Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

	Directors		Associates		Other Related Parties		Key Management	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
(Rupees in '000)								
B. Transactions during the period								
Insurance premium-net of refund	-	-	351,023	296,789	-	-	-	-
Insurance claim settled	-	-	7,474	4,966	-	-	-	-
Markup income on advances and lendings	2	18	-	-	9,037	1,011	3,789	2,539
Forward exchange contracts matured during the period	-	-	-	-	24,618,814	31,758,200	-	-
Gain / (loss) on forward foreign exchange contracts matured during the period	-	-	-	-	101,038	54,497	-	-
Dividend income	-	-	189,755	141,658	16,320	-	-	-
Commission income	-	-	505,509	396,523	3,790	4,591	-	-
Rent income and reimbursement of other expenses	-	-	1,671	1,974	1,620	2,160	-	-
Outsourcing service expenses	-	-	73,925	63,913	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	3	19
Gain / (loss) on sale of fixed assets	-	-	-	-	-	-	3	19
Cash sorting expenses	-	-	-	-	25,192	26,871	-	-
Stationary expenses	-	-	-	-	87,756	87,468	-	-
Security guards expenses	-	-	-	-	194,711	195,265	-	-
Remuneration and non-executive directors fee	81,140	77,591	-	-	-	-	280,173	267,522
Mark-up expense	48,231	39,268	34,969	25,833	77,669	128,213	909	589
Clearing expenses paid to NIFT	-	-	-	-	62,318	66,296	-	-
Contribution to provident fund	-	-	-	-	135,432	122,848	-	-
Rent and other expenses	-	-	907	3,464	26,774	511	-	-
Call borrowing deals entered and matured during the period	-	-	-	-	1,200,000	1,075,000	-	-
Sale of government securities	-	-	4,408,586	1,756,781	6,812,188	3,785,357	-	-
Purchase of government securities	-	-	3,413,026	4,158,389	5,765,748	6,838,928	-	-
Gain / (loss) on sale of government securities	-	-	26	(44)	114	2,501	-	-
Miscellaneous expenses and payments	-	-	-	-	18,129	23,191	-	-

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

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

22 ISLAMIC BANKING BUSINESS

The Group is operating 66 Islamic branches as at June 30, 2017 (December 31, 2016: 66 Branches). The statement of financial position of the Group's Islamic Banking Business as at June 30, 2017 is as follows:

ASSETS

	June 30, 2017	December 31, 2016
Note	(Rupees in '000)	
Cash and balances with treasury banks	3,045,272	1,509,804
Balances with other banks	3,686,763	2,750,998
Due from financial institutions	-	-
Investments - net	7,771,648	5,769,675
Islamic financing and related assets - net	24,972,965	16,172,727
Operating fixed assets	2,403,616	2,104,250
Deferred tax assets - net	9,595	-
Other assets - net	377,565	261,048
	42,267,424	28,568,502

LIABILITIES

Bills payable	330,276	447,776
Due to financial institutions	8,078,654	2,785,650
Deposits and other accounts	22,727,975	14,279,436
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	40,524
Other liabilities	917,095	749,243
	32,054,000	18,302,629

NET ASSETS

REPRESENTED BY

Share capital	10,000,000	10,000,000
Reserves	32,388	26,444
Unappropriated profit	92,511	68,087
	10,124,899	10,094,531
Surplus on revaluation of assets - net of tax	88,525	171,342
	10,213,424	10,265,873

22.1 Islamic financing and related assets - net

	June 30, 2017	December 31, 2016
	(Rupees in '000)	
Murabaha financing	4,489,998	2,719,939
Inventory held under Murabaha	8,563,319	4,987,296
Advances against Murabaha	644,080	804,071
Murabaha under Islamic export refinance scheme	86,999	87,003
Advances against Murabaha under Islamic export refinance scheme	-	299,650
Diminishing Musharakah	5,251,606	4,392,900
Advances against Diminishing Musharakah	1,497,861	1,222,733
Musharakah financing	260,050	-
Running Musharakah financing	1,953,028	-
Advances against Running Musharakah under Islamic export refinance scheme	537,000	-
Net book value of assets in Ijarah under IFAS 2	1,049,458	1,243,897
Advances against Ijarah	96,435	42,508
Istisna financing under Islamic export refinance scheme	101,233	-
Staff finance	442,831	374,004
Islamic financing and related assets - gross	24,973,898	16,174,001
Provision against non performing Islamic financing and related assets	(933)	(1,274)
Islamic financing and related assets - net of provision	24,972,965	16,172,727

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
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The profit and loss account of the Group's Islamic banking business for the six months ended June 30, 2017 is as follows:

	Half Year Ended June 30, 2017	Half Year Ended June 30, 2016
	(Rupees in '000)	
Profit / return earned	818,067	868,358
Profit / return expensed	370,094	277,744
Net spread earned	447,973	590,614
Provision against non-performing Islamic financing and related assets - net	(341)	56,000
Provision for diminution in the value of investments - net	-	-
Bad debts written off directly	-	-
	(341)	56,000
Net spread after provisions	448,314	534,614
Other income		
Fee, commission and brokerage income	22,576	17,035
Dividend income	34,084	23,207
Income from dealing in foreign currencies	13,299	9,042
Gain on sale of securities - net	299,611	71,352
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net	-	-
Other income	5,467	6,791
Total other income	375,037	127,427
	823,351	662,041
Other expenses		
Administrative expenses	777,374	464,730
Provision against other assets - net	-	-
Other charges	909	13,873
Total other expenses	778,283	478,603
Extra ordinary / unusual items	-	-
Profit before taxation	45,068	183,438
Taxation		
- Current	14,914	65,294
- Prior periods	-	4,866
- Deferred	436	11,165
	15,350	81,325
Profit / (loss) after taxation	29,718	102,113



Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

23. GENERAL

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

24. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on August 25, 2017 has announced cash dividend in respect of the half year ended June 30, 2017 of Rs. 4.00 per share (June 30, 2016: Rs. 4.00 per share). This consolidated condensed interim financial information for the half year ended June 30, 2017 does not include the effect of this appropriation which will be accounted for subsequent to the period end.

25. DATE OF AUTHORIZATION FOR ISSUE

This consolidated condensed interim financial information was authorized for issue by the Board of Directors of the Bank in their meeting held on August 25, 2017.

Imran Maqbool
President / CEO

Nor Hizam Bin Hashim
Director

Samir Iqbal Saigol
Director

Muhammad Ali Zeb
Director