



Bank for Life

HALF YEARLY REPORT

2018





Our Vision

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

Our Mission

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

Our Values

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

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

CORPORATE PROFILE

BOARD OF DIRECTORS:

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

AUDIT COMMITTEE:

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

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

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

Profit Before Taxation

Taxation

Profit After Taxation

Un-appropriated Profit Brought Forward

Remeasurement of Defined Benefit Plans - net of tax

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

Profit Available for Appropriation

Appropriations:

Statutory Reserve

Final Cash Dividend - December 2017

Interim Cash Dividend - March 2018

Total Appropriations

Un-appropriated Profit Carried Forward

Performance Review

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

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

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

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

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

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

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

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

Demerger of 90 branches from MCB Bank Limited

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



	Rs. in Million
Profit Before Taxation	16,000
Taxation	6,237
Profit After Taxation	9,763
Un-appropriated Profit Brought Forward	53,776
Remeasurement of Defined Benefit Plans - net of tax	(679)
Transferred from Surplus on Revaluation of Fixed Assets - net of tax	26
	53,123
Profit Available for Appropriation	62,886
Appropriations:	
Statutory Reserve	976
Final Cash Dividend - December 2017	4,740
Interim Cash Dividend - March 2018	4,740
Total Appropriations	10,456
Un-appropriated Profit Carried Forward	52,430



Ratings

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

Economy Review

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

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

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

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

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

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

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

Future Outlook

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

Appreciation and Acknowledgements

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

For and on behalf of the Board of Directors

Imran Maqbool

Imran Maqbool
President & CEO
MCB Bank Limited

Nor Hizam Bin Hashim

Nor Hizam Bin Hashim
Director
MCB Bank Limited

August 01, 2018

ڈائریکٹرز کی رپورٹ - جون 2018ء

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

مناخ عمل اورنگیں	ملین روپے
نیکس	16,000
مناخ بھارا نیکس	6,237
انتظامی غیر تخصص شدہ مناخ	9,763
ایچکارڈز، پیمنٹس پلان کی دوبارہ پیمائش (خالص از نیکس)	53,776
پائیدار اثاثوں کی از سر نو تخمینہ پر اضافی آمدن (خالص از نیکس)	(679)
تخصیص کیلئے دستیاب مناخ	26
تخصیص:	53,123
قانونی ریزرو	62,886
حتمی نیکس ڈیویڈنڈ برائے دسمبر 2017	976
عمدوری نیکس ڈیویڈنڈ برائے مارچ 2018	4,740
کل تخصیص	4,740
انتظامی غیر تخصص شدہ مناخ	10,456
کارکنوں کا مجموعہ	52,430

30 جون 2018ء کو اختتام پذیر، اس عرصہ کے دوران، ایم سی بی بینک نے 16 ملین روپے کا قلم از نیکس مناخ (%9.74-) اور 97.6 ملین روپے کا بعد از نیکس مناخ (%28.68-) حاصل کیا۔ بعد از نیکس مناخ میں نمایاں کمی کی بڑی وجہ 3,599 ملین کی نیکس ریویٹل تھی۔ جو کہ جون 2017 کے نتائج میں درج کی گئی تھی۔

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

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

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

انتظامی اخراجات کے حوالے سے بینک نے پچھلے سال کی اسی تقابلی مدت کی نسبت 18.87 فیصد (بڑھ چٹن فنڈ) کا اضافہ ریکارڈ کیا۔ جس میں عمومی طور پر ایکس این آئی بی (EX-NIB) سے متعلق عملی سرگرمیوں کے باعث افرادی لاگت کرایہ فرسودگی اور مرمت کے اخراجات میں اضافہ درج کیا گیا۔ انتظامی اخراجات میں معزز سپریم کورٹ کے حکم کے تحت 1.9 ملین روپے کا پیش کا خرچ بھی شامل ہے جو کہ ماضی کی خدمات کی لاگت پر مشتمل ہے جس کا تعین پیش کی قابل ادائیگی لاگت کے انٹیجورنٹل تخمینہ پر کیا گیا ہے۔ قرضہ جات کی مختلف پروویژن میں 1.43 ملین روپے اور سرمایہ کاری پروویژن میں 220 ملین روپے کی ریویسل کی گئی ہے۔

بینک کے کل اثاثہ جات دسمبر 2017 سے 7.11 فیصد کے اضافہ کے ساتھ 1.42 ٹریلین روپے پر رپورٹ ہوئے۔ اثاثوں کی ترکیب کا جائزہ واضح کرتا ہے کہ دسمبر 2017 کی نسبت خالص سرمایہ کاری میں 32.15 ملین روپے (%4.89+) اور خالص قرضہ جات میں 41.38 ملین روپے (%8.82+) کا اضافہ ہوا۔

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

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

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

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

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

ایم سی بی بینک لمیٹڈ سے 90 ماہیوں کی ملٹیگی:

دوسری سرمایہ کے دوران بینک نے اپنی 90 برانچوں کو اپنی مکمل ملکییتی ذیلی ادارے ایم سی بی اسلامک بینک لمیٹڈ کو کامیابی سے منتقل کروایا ہے۔

ریٹھور:

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

معاشی جائزہ:

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

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

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

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

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

تاہم بیامروضی آئندہ سے پاک کہ جین اقتصادی راہداری کی اثرات نظر آنا شروع ہو رہے ہیں جن میں موجودہ آٹائی اور تقییرات کے منصوبوں کے باعث وسطی مدت میں میں بہتر معاشی نمو متوقع ہے۔ پاکستان کی معاشی ترقی کی شرح، حکومتی اندازوں کی مطابق 5.8 فیصد رہی جو کہ مطلوبہ 6.0 فیصد کے ہدف سے معمولی طور پر کم ہے۔ سی بیک پاکستان کا خطہ میں ایک صحتی ہب (HUB) کے تشخص کو اجاگر کرتے ہوئے بیرونی سرمایہ کاری کو بھی متوجہ کرنے میں معاون ثابت ہوگا۔ مال سال جولائی۔ جون 2018 کے دوران براہ راست غیر ملکی سرمایہ کاری کا حجم 2.8 ملین امریکی ڈالرز یا جو گزشتہ مالی سال جولائی۔ جون 2017 کی شرح کے برابر ہے۔

پاکستان کا صارف قیمتوں کے انڈیکس کا انفرافلاز (CPI-Inflation) مارچ میں اختتام پذیر پچھلی سرمایہ میں، سالانہ بنیاد پر، 3.26 فیصد کی شرح پر بند ہوا۔ تاہم ابھی حال ہی میں، جون میں (CPI) بی آئی انفرافلاز رکھانے پینے کی ایشیاء، چین اور خدمات کی قیمتوں میں اضافہ کی وجہ سے 5.2 فی صد کی شرح تک جا پہنچا۔ خالص انفرافلاز سالانہ بنیاد پر، 5.8 فیصد کی شرح سے بڑھتے ہوئے 7.1 فیصد تک جا پہنچا۔ مزید برآں، تجارتی خسارہ 6.5 فیصد تک پہنچنے کی توقع ہے جو گورنمنٹ کے مقررہ ہدف سے زیادہ ہے۔

اسٹیٹ بینک آف پاکستان نے جی سی من منفرد اینٹری پالیسی کپٹل کی بینکنگ کے مطابق، شدید بیرونی دباؤ اور انفرافلاز کے باعث پالیسی ریٹ میں 50 بی پی ایس (BPS) کے اضافہ کا فیصلہ کیا جس کی شرح 6.50 فیصد مقرر کی گئی۔

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

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

مستقبل کی پیش بینی:

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

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

حسین ہتھور:

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 مشیر ہولڈرز اور صارفین کا اگے اگے اعتماد کے لیے، اور اپنے ملازمین کا اپنی مسلسل لگن اور مخلصانہ خدمات پر شکر یہ ادا کرتے ہیں۔

مناجیب و برائے بورڈ آف ڈائریکٹرز

عمران جمیل

پریڈیٹمنٹ اور سی ای او

ایم سی بی بینک لمیٹڈ

01 اگست 2018

نور حظام بن ہاشم

ڈائریکٹر

ایم سی بی بینک لمیٹڈ

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

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

Scope of Review

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

Conclusion

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

Other matters

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

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

Lahore
Date: August 01, 2018

KPMG Taseer Hadi & Co.
Chartered Accountants

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

Note	Unaudited June 30, 2018	Audited December 31, 2017
----- (Rupees in '000) -----		
Assets		
	120,974,989	106,072,084
	8,244,457	4,579,275
7	8,121,913	4,398,114
8	689,109,226	656,963,632
9	510,735,349	469,355,849
10	40,619,140	39,573,932
	-	-
	43,919,134	46,368,154
	1,421,724,208	1,327,311,040
Liabilities		
	12,190,447	22,680,667
11	192,480,081	133,069,556
12	1,018,740,275	968,482,635
13	3,891,798	3,892,578
	-	-
14	3,097,012	4,625,035
	40,623,503	40,994,232
	1,271,023,116	1,173,744,703
	150,701,092	153,566,337
Net assets		
	11,850,600	11,850,600
	72,472,162	70,866,473
	52,429,936	53,776,057
	136,752,698	136,493,130
	13,948,394	17,073,207
	150,701,092	153,566,337
Contingencies and commitments		
		15

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


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer
(Officiating)


Nor Hizam Bin Hashim
Director


Iqraa Hassan Mansha
Director


Muhammad Ali Zeb
Director

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

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

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

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

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

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

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

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

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

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	15,999,782	17,725,581
Less: Dividend income	(557,993)	(800,383)
	15,441,789	16,925,198
Adjustments for:		
Depreciation	1,038,047	788,178
Amortization	127,724	127,584
Bad debts written off directly	23	14
Provision / (reversal) against loans and advances - net	(1,426,630)	(1,947,008)
Provision / (reversal) for diminution in the value of investments - net	(220,207)	587,107
Other provision / (reversal) - net	(699,697)	559,987
Provision for Workers' Welfare Fund	319,996	354,512
Charge / (reversal) for defined benefit plans	1,953,336	(53,968)
Unrealized loss on revaluation of investments classified as held for trading	25,591	43,202
Gain on sale of shares in associate	(247,677)	(685,593)
Gain on disposal of fixed assets - net	(67,079)	(9,050)
	803,427	(235,035)
	16,245,216	16,690,163
(Increase) / decrease in operating assets		
Lendings to financial institutions	(3,723,799)	(2,351,729)
Net investment in held for trading securities	(796,240)	(24,010,655)
Advances - net	(39,952,893)	(39,716,645)
Other assets - net	(685,618)	(583,469)
	(45,158,550)	(66,662,498)
Increase / (decrease) in operating liabilities		
Bills payable	(9,276,010)	(222,361)
Borrowings	59,562,108	158,108,521
Deposits and other accounts	72,175,966	110,120,764
Other liabilities	787,036	(898,999)
	123,249,100	267,107,925
	94,335,766	217,135,590
Defined benefits paid	(177,282)	(156,663)
Income tax paid	(5,255,349)	(8,480,674)
	88,903,135	208,498,253
Net cash flows from operating activities		
Cash flows from investing activities		
Net investments in available-for-sale securities	(38,114,742)	(177,991,867)
Net investments in held-to-maturity securities	3,346,052	4,171,394
Dividend income received	876,620	813,799
Net cash outflow on demerger	(22,214,180)	-
Investment in subsidiary company	(1,200,000)	-
Proceeds from divestment in associate	295,448	782,817
Sale proceeds of property and equipment disposed off	79,753	16,288
Investment in operating fixed assets	(2,374,510)	(2,273,741)
	(59,305,559)	(174,481,310)
Net cash flows from investing activities		
Cash flows from financing activities		
Repayment of subordinated loan	(780)	-
Dividend paid	(10,783,824)	(8,713,361)
	(10,784,604)	(8,713,361)
Net cash flows from financing activities		
Exchange difference on translation of net investment in foreign branches	629,377	(67,344)
	19,442,349	25,236,238
Increase in cash and cash equivalents		
Cash and cash equivalents transferred to MIB under the scheme of demerger	(722,679)	-
Cash and cash equivalents at January 1	109,542,725	78,406,662
Cash and cash equivalents at June 30	128,262,395	103,642,900

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

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer
(Officiating)

Nor Hizam Bin Hashim
Director

Iqraa Hassan Mansha
Director

Muhammad Ali Zeb
Director

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

	Capital Reserves				Statutory reserve	Revenue Reserves		Total
	Share capital	Share premium	Non-distributable capital reserve	Exchange translation reserve		General reserve	Unappropriated profit	
	(Rupees in '000)							
Balance as at December 31, 2016	11,130,307	9,702,528	-	167,174	24,877,159	18,600,000	53,469,072	117,946,240
Change in equity for six months ended June 30, 2017								
Total comprehensive income for the six months ended June 30, 2017								
Profit after taxation for six months period ended June 30, 2017	-	-	-	-	-	-	13,689,336	13,689,336
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	(642,454)	(642,454)
Exchange differences on translation of net investment in foreign branches	-	-	-	(67,344)	-	-	-	(67,344)
	-	-	-	(67,344)	-	-	13,046,882	12,979,538
Transactions with owners recognized directly in equity								
Final cash dividend at Rs. 4.0 per share - December 31, 2016	-	-	-	-	-	-	(4,452,123)	(4,452,123)
Interim cash dividend at Rs. 4.0 per share - March 31, 2017	-	-	-	-	-	-	(4,452,123)	(4,452,123)
	-	-	-	-	-	-	(8,904,246)	(8,904,246)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	26,796	26,796
Transferred to statutory reserve	-	-	-	-	1,368,934	-	(1,368,934)	-
Balance as at June 30, 2017	11,130,307	9,702,528	-	99,830	26,246,093	18,600,000	56,269,570	122,048,328
Change in equity for six months ended December 31, 2017								
Total comprehensive income for the six months ended December 31, 2017								
Profit after taxation for six months period ended December 31, 2017	-	-	-	-	-	-	8,769,565	8,769,565
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	(932,437)	(932,437)
Exchange differences on translation of net investment in foreign branches	-	-	-	384,163	-	-	-	384,163
	-	-	-	384,163	-	-	7,837,128	8,221,291
Transactions with owners recognized directly in equity								
Interim cash dividend at Rs. 4.0 per share - June 30, 2017	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - September 30, 2017	-	-	-	-	-	-	(4,740,240)	(4,740,240)
	-	-	-	-	-	-	(9,480,480)	(9,480,480)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	26,795	26,795
Transferred to statutory reserve	-	-	-	-	876,956	-	(876,956)	-
Shares issued under amalgamation scheme	720,293	14,048,586	-	-	-	-	-	14,768,879
Gain on bargain purchase arising on amalgamation of NIB Bank Limited	-	-	908,317	-	-	-	-	908,317
Balance as at December 31, 2017	11,850,600	23,751,114	908,317	483,993	27,123,049	18,600,000	53,776,057	136,493,130
Change in equity for six months ended June 30, 2018								
Total comprehensive income for the six months ended June 30, 2018								
Profit after taxation for six months period ended June 30, 2018	-	-	-	-	-	-	9,763,116	9,763,116
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	(679,241)	(679,241)
Exchange differences on translation of net investment in foreign branches	-	-	-	629,377	-	-	-	629,377
	-	-	-	629,377	-	-	9,083,875	9,713,252
Transactions with owners recognized directly in equity								
Final cash dividend at Rs. 4.0 per share - December 31, 2017	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - March 31, 2018	-	-	-	-	-	-	(4,740,240)	(4,740,240)
	-	-	-	-	-	-	(9,480,480)	(9,480,480)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	26,796	26,796
Transferred to statutory reserve	-	-	-	-	976,312	-	(976,312)	-
Balance as at June 30, 2018	11,850,600	23,751,114	908,317	1,113,370	28,099,361	18,600,000	52,429,936	136,752,698

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

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer
(Officiating)

Nor Hizam Bin Hashim
Director

Iqraa Hassan Mansha
Director

Muhammad Ali Zeb
Director

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

1 STATUS AND NATURE OF BUSINESS

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

1.1 Merger of NIB Bank Limited

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

1.2 Demerger of 90 branches from MCB Bank Limited

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

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

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

(Rupees in '000)

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

2 BASIS OF PRESENTATION

2.1 These financial statements represent unconsolidated condensed interim financial information of MCB Bank Limited. The consolidated condensed interim financial statements of the Group are being issued separately.

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

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

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

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

3 STATEMENT OF COMPLIANCE

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

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

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

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

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

4 BASIS OF MEASUREMENT

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

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

5 SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

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

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

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

6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

7. LENDINGS TO FINANCIAL INSTITUTIONS

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

8. INVESTMENTS - NET

8.1 Investments by types

Note	June 30, 2018		
	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----		
Held-for-trading securities	824,959	-	824,959
Available-for-sale securities	498,422,462	150,633,859	649,056,321
Held-to-maturity securities	29,908,805	-	29,908,805
	529,156,226	150,633,859	679,790,085
Associates	700,401	-	700,401
Subsidiaries	12,046,512	-	12,046,512
	12,746,913	-	12,746,913
Investments at cost	541,903,139	150,633,859	692,536,998
Less: Provision for diminution in the value of investments	(5,694,645)	-	(5,694,645)
Investments (net of provisions)	536,208,494	150,633,859	686,842,353
Surplus / (deficit) on revaluation of available for sale securities - net	2,092,553	199,911	2,292,464
Surplus / (deficit) on revaluation of held-for-trading securities - net	(25,591)	-	(25,591)
Investments at revalued amounts - net of provisions	538,275,456	150,833,770	689,109,226

Less: Provision for diminution in the value of investments

Investments (net of provisions)

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

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

Investments at revalued amounts - net of provisions

December 31, 2017

Note	December 31, 2017		
	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----		
Held-for-trading securities	34,371	-	34,371
Available-for-sale securities	522,021,853	88,919,726	610,941,579
Held-to-maturity securities	33,325,712	-	33,325,712
	555,381,936	88,919,726	644,301,662
Associates	748,172	-	748,172
Subsidiaries	10,846,512	-	10,846,512
	11,594,684	-	11,594,684
Investments at cost	566,976,620	88,919,726	655,896,346
Less: Provision for diminution in the value of investments	(5,985,708)	-	(5,985,708)
Investments (net of provisions)	560,990,912	88,919,726	649,910,638
Surplus / (deficit) on revaluation of available for sale securities - net	7,083,091	(24,445)	7,058,646
Surplus / (deficit) on revaluation of held-for-trading securities - net	(5,652)	-	(5,652)
Investments at revalued amounts - net of provisions	568,068,351	88,895,281	656,963,632

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

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

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

9. ADVANCES - NET

Loans, cash credits, running finances, etc

- In Pakistan

- Outside Pakistan

Net Investment in finance lease

- In Pakistan

- Outside Pakistan

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan

- Payable outside Pakistan

Advances - gross

Less: Provision against loans and advances

- Specific provision

- General provision

- General provision against consumer loans & small enterprise loans

- General provision by overseas operations

Advances - net of provision

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

Note	June 30, 2018				
	Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned (OAEM)	127,060	-	127,060	7,057	7,057
Substandard	349,104	171,231	520,335	128,710	128,710
Doubtful	293,436	8,878	302,314	148,499	148,499
Loss	39,682,120	6,499,182	46,181,302	42,827,027	42,827,027
	40,451,720	6,679,291	47,131,011	43,111,293	43,111,293

December 31, 2017

Note	December 31, 2017				
	Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned (OAEM)	171,209	-	171,209	9,934	9,934
Substandard	396,984	154,987	551,971	137,222	137,222
Doubtful	218,714	344,151	562,865	281,432	281,432
Loss	41,869,272	5,597,303	47,466,575	44,158,327	44,158,327
	42,656,179	6,096,441	48,752,620	44,586,915	44,586,915

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

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

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

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

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

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

10. OPERATING FIXED ASSETS

Capital work-in-progress
Property and equipment
Intangible asset

	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
Capital work-in-progress	1,269,235	935,158
Property and equipment	38,893,100	38,234,448
Intangible asset	456,805	404,326
	40,619,140	39,573,932

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

11. BORROWINGS

In Pakistan
Outside Pakistan

	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
In Pakistan	188,307,983	126,988,022
Outside Pakistan	4,172,098	6,081,534
	192,480,081	133,069,556

11.1. Details of borrowings (secured / unsecured)

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

	June 30, 2018	December 31, 2017
Borrowings from State Bank of Pakistan	23,708,501	24,676,099
Export refinance scheme	13,693,257	12,797,076
Long term financing facility	104,630	100,866
Refinance Facility for modernization of SME	29,479	3,680
Renewable energy performance platform	143,171	254,045
Financing facility for storage of agricultural produce		
	37,679,038	37,831,766

Repurchase agreement borrowings

Repurchase agreement borrowings	150,525,656	88,849,251
	188,204,694	126,681,017

Unsecured

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

Borrowings from other financial institutions	1,151,346	1,831,801
Call borrowings	2,004,704	3,285,818
Foreign borrowings payable in local currency	162,286	162,286
Overdrawn nostro accounts	957,051	1,108,634
	4,275,387	6,388,539

	192,480,081	133,069,556
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12. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits
Savings deposits
Current accounts
Margin accounts

Fixed deposits	72,087,065	66,914,022
Savings deposits	536,259,851	513,309,328
Current accounts	380,146,448	356,577,624
Margin accounts	9,240,444	9,970,532
	997,733,808	946,771,506

Financial institutions

Remunerative deposits
Non-remunerative deposits

Remunerative deposits	10,782,144	11,175,786
Non-remunerative deposits	10,224,323	10,535,343
	21,006,467	21,711,129

	1,018,740,275	968,482,635
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Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
13. SUB-ORDINATED LOANS		
Term Finance Certificates - Listed, Unsecured	3,891,798	3,892,578

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

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

Issue Date June 19, 2014

Issue Amount Rs. 4,198.035 million

Rating AAA (triple A)

Tenor 8 years from the Issue Date

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

Maturity June 19, 2022

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

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

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

14. DEFERRED TAX LIABILITY / (ASSET) - NET

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

Taxable temporary differences on:

	June 30, 2018	December 31, 2017
Surplus on revaluation of operating fixed assets	1,010,803	1,025,234
Surplus on revaluation of Non-banking assets	75,273	75,273
Accelerated tax depreciation	1,506,119	1,534,613
Receivable from pension fund	1,062,228	2,096,688
Business combination	705,218	705,218
Surplus / deficit on revaluation of securities	802,362	2,470,526
	5,162,003	7,907,552

Deductible temporary differences on:

Provision for bad debts	(2,064,991)	(3,282,517)
	3,097,012	4,625,035

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring

- Government	102,281,050	73,747,315
- Banks and financial institutions	5,543,586	5,345,816
- Others	6,447,366	6,226,506
	114,272,002	85,319,637

15.2 Transaction-related contingent liabilities

Guarantees in favour of:

- Government	31,862,519	28,536,667
- Banks and financial institutions	86,381	80,377
- Others	18,325,686	16,788,987
- Suppliers credit / payee guarantee	2,407,107	1,992,913
	52,681,693	47,398,944

15.3 Trade-related contingent liabilities

	158,575,779	143,773,637
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Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2018

	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
15.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>10,894,398</u>	<u>5,938,071</u>
<p>These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote and accordingly no provision has been made in these unconsolidated condensed interim financial statements.</p>		
15.5 Commitments to extend credit		
<p>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.</p>		
	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
15.6 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>114,308,434</u>	<u>85,101,993</u>
Sale	<u>95,740,660</u>	<u>75,210,455</u>
15.7 Commitments for the acquisition of fixed assets	<u>398,797</u>	<u>96,399</u>
15.8 Other commitments		
FX options (notional amount)		
Purchase	<u>983,759</u>	<u>865,718</u>
Sale	<u>983,759</u>	<u>865,718</u>
Cross Currency Swaps (Notional)	<u>6,648,899</u>	<u>3,232,144</u>
Interest Rate Swaps (Notional)	<u>316,500</u>	<u>316,500</u>
Outright purchase of Government Securities	<u>3,000,000</u>	<u>7,000,000</u>
Outright sale of Government Securities	<u>600,000</u>	<u>-</u>

15.9 Taxation

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

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

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

	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
16. BASEL III LIQUIDITY REQUIREMENT		
16.1. Liquidity Coverage Ratio		
High quality liquid assets	<u>612,421,411</u>	<u>608,139,885</u>
Net cash outflows	<u>339,230,172</u>	<u>313,260,304</u>
Liquidity Coverage ratio (%)	<u>180.53%</u>	<u>194.13%</u>

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

	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
16.2. Net Stable Funding Ratio		
Available stable funding	<u>869,520,182</u>	<u>814,278,652</u>
Required stable funding	<u>702,826,766</u>	<u>632,207,998</u>
Net Stable Funding Ratio (%)	<u>123.72%</u>	<u>128.80%</u>
Half year ended		
	June 30, 2018	June 30, 2017
	---- (Rupees in '000) ----	
17. GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities	<u>21,357</u>	<u>1,683</u>
-Market Treasury Bills	<u>92,131</u>	<u>17,307</u>
-Pakistan Investment Bonds	<u>1,053,756</u>	<u>3,264,629</u>
Listed Shares	<u>1,167,244</u>	<u>3,283,619</u>
18. ADMINISTRATIVE EXPENSES		
<p>Pursuant to the order of the Honorable Supreme Court of Pakistan, the Bank has recorded past service cost of Rs. 1,903.117 million (one-off provision) on account of pension liability based on actuarial valuation.</p>		
Half year ended		
	June 30, 2018	June 30, 2017
	---- (Rupees in '000) ----	
19. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	<u>9,763,116</u>	<u>13,689,336</u>
(Number of shares)		
Weighted average number of shares outstanding during the period	<u>1,185,060,006</u>	<u>1,113,030,748</u>
(Rupees)		
Basic and diluted Earnings per share - after tax	<u>8.24</u>	<u>12.30</u>
20. CREDIT RATING		
<p>PACRA through its notification dated June 27, 2018, has maintained bank's long term credit rating of AAA [triple A] and short-term credit rating of A1+ [A one plus].</p>		

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

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

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

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

22 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

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

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

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

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

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

	Directors		Associates		Subsidiary Companies		Other Related Parties		Key Management	
	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017
A. Balances										
Deposits										
Opening balance	3,953,730	2,642,067	2,744,432	2,566,584	51,048	38,868	3,800,959	5,852,008	148,080	105,761
Received during the period / year	1,565,360	3,686,510	8,759,257	37,478,917	646,531	1,632,422	27,863,683	60,757,429	469,093	751,440
Withdrawn during the period / year	(2,010,653)	(2,274,847)	(9,422,702)	(37,303,069)	(635,055)	(1,620,242)	(25,991,153)	(62,808,478)	(442,704)	(709,121)
Closing balance	3,508,437	3,953,730	2,080,987	2,744,432	62,524	51,048	5,673,487	3,800,959	174,469	148,080
Advances										
Opening balance	-	195	-	-	293,837	276,349	2,322,934	262,113	82,348	84,787
Additions / adjustments during the period / year	-	(195)	-	-	27,158	296,337	3,611,521	4,491,988	36,506	10,536
Repaid / adjustments during the period / year	-	-	-	-	(320,995)	(278,849)	(4,376,981)	(2,431,167)	(8,929)	(12,975)
Closing balance	-	-	-	-	-	-	1,557,474	2,322,934	109,925	82,348
Lendings to Financial Institutions										
Opening balance	-	-	-	-	524,590	21,687,308	-	-	-	-
Additions / adjustments during the period / year	-	-	-	-	27,461,260	(21,162,718)	-	-	-	-
Repaid / adjustments during the period / year	-	-	-	-	(23,533,588)	(21,162,718)	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-
Borrowings										
Opening balance	-	-	-	-	-	-	993,755	936,786	-	-
Additions / adjustments during the period / year	-	-	-	-	-	-	(264,772)	(1,300,000)	-	-
Repaid / adjustments during the period / year	-	-	-	-	-	-	728,983	993,755	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-
Other Balances										
Outstanding balance of credit cards	1,045	946	-	-	-	-	1,268	1,674	1,942	1,819
Receivable from Pension Fund	-	-	-	-	-	-	3,034,941	5,990,537	-	-
Commitments and contingent liabilities - outstanding	-	-	8,337	9,840	-	-	3,349,952	976,586	-	-
Forward purchase of government securities	-	-	-	-	-	-	2,500,000	-	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	2,009,141	577,292	-	17,562,997	-	-
Unrealized gain / (loss) on forward foreign exchange contracts - outstanding	-	-	-	-	(29,685)	(6,072)	-	68,442	-	-
Overdrawn nostro balance	-	-	-	-	6,744	39,993	-	-	-	-
Trade payable	-	-	39,101	39,730	-	-	-	-	-	-
Markup payable	15,689	12,586	11,774	8,063	169	144	28,754	22,563	464	113
Other payable	1,002	5,401	1,947	37	24,158	20,415	756	559	-	-
Other advances	-	-	876	3,199	-	-	27,929	27,929	-	-
Markup receivable	-	-	-	-	23,138	9,604	23,083	14,958	2,177	589
Other receivable	-	-	-	557	26,482	16,202	540	1,620	-	-
Commission receivable	-	-	98,300	48,263	2,472	2,565	-	-	-	-
Advance received against sale of property	-	-	-	-	20,000	20,000	-	-	-	-

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

	Directors		Associates		Subsidiary Companies		Other Related Parties		Key Management	
	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017
B. Transactions during the period										
Investment made during the period	-	-	-	-	1,200,000	-	-	-	-	-
Payment against scheme of demerger	-	-	356,503	351,023	22,214,180	-	-	-	-	-
Insurance premium-net of refund	-	-	196,563	7,474	-	-	-	-	-	-
Insurance claim settled	38	2	-	-	79,567	41,742	38,835	9,037	4,706	3,789
Markup income on advances and lendings	-	-	-	-	-	-	57,476,979	24,618,814	-	-
Forward exchange contracts matured during the period	-	-	-	-	-	-	286,156	101,038	-	-
Gain / (loss) on forward foreign exchange contracts matured during the period	-	-	-	-	-	-	6,800	16,320	-	-
Dividend income	-	-	70,000	189,755	-	55,435	6,800	16,320	-	-
Commission income	-	-	560,633	505,509	17,951	77,945	2,992	3,790	-	-
Rent income and reimbursement of other expenses	-	-	1,838	1,671	12,835	5,791	1,620	1,620	-	-
Outsourcing service expenses	-	-	106,359	73,925	-	-	-	-	-	-
Sale of foreign currency	-	-	-	-	7,444,956	4,701,548	-	-	-	-
Purchase of foreign currency	1,999	-	-	-	4,597,727	1,767,536	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-	-	3,149	3
Gain / (loss) on sale of fixed assets	-	-	-	-	-	-	-	-	23	3
Cash sorting expenses	-	-	-	-	-	-	38,843	25,192	-	-
Stationery expenses	-	-	-	-	-	-	122,592	87,756	-	-
Security guards expenses	-	-	-	-	-	-	204,546	194,711	-	-
Remuneration and non-executive directors fee	87,883	81,140	-	-	-	-	-	-	283,076	280,173
Mark-up expense	82,674	48,231	42,053	34,969	764	303	97,644	77,669	729	909
Clearing expenses paid to NIFT	-	-	-	-	-	-	78,554	62,318	-	-
Contribution to provident fund	-	-	-	-	-	-	179,089	135,632	-	-
Rent and other expenses	-	-	-	907	4,320	3,927	27,403	26,774	-	-
Sale of government securities	-	-	2,349,879	4,408,588	-	-	168,382,343	6,812,188	20,375	-
Purchase of government securities	-	-	2,544,892	3,415,026	-	-	172,064,634	5,765,748	19,993	-
Gain / (loss) on sale of government securities	-	-	51	26	-	-	40,168	114	0.2	-
Miscellaneous expenses and payments	-	-	-	-	468,814	12,439	37,481	18,129	-	-

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

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

24 GENERAL

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

25 NON-ADJUSTING EVENT

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

26 DATE OF AUTHORIZATION FOR ISSUE

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



MCB BANK LIMITED

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

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

Consolidated Condensed Interim Statement of Financial Position

As at June 30, 2018

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

Contingencies and commitments

15

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



Imran Maqbool
President / CEO



Hammad Khalid
Chief Financial Officer
(Officiating)



Nor Hizam Bin Hashim
Director



Iqraa Hassan Mansha
Director



Muhammad Ali Zeb
Director

Consolidated Condensed Interim Profit and Loss Account (Un-audited)

For the half year ended June 30, 2018

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

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



Imran Maqbool
President / CEO



Hammad Khalid
Chief Financial Officer
(Officiating)



Nor Hizam Bin Hashim
Director



Iqraa Hassan Mansha
Director



Muhammad Ali Zeb
Director

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

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

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

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

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

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

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Director

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

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

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

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Director

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

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company
- MCB Bank Limited

Subsidiary Companies

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

"Percentage holding of MCB Bank Limited"

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

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

1.1 Merger of NIB Bank Limited

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

1.2 Demerger of 90 branches from MCB Bank Limited

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

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

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

Assets

- Cash in Hand
- Operating fixed assets
- Other assets

(Rupees in '000)

722,679
175,751
59,788
958,218

Liabilities

- Bills payable
- Deposits and other accounts
- Other liabilities

1,214,210
21,918,326
39,862
23,172,398
(22,214,180)

Net settled amount

2 BASIS OF PRESENTATION

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

- Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the financial statements for the period ended June 30, 2018 and the carrying value of investments held by the Group is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.
- Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost, thereafter adjusted for the post-acquisition change in the Group's share of net assets of the associates. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associates have been accounted for based on the financial statements for the period ended June 30, 2018.
- Non-controlling interest is that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

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

- 2.2 The disclosures made in these consolidated condensed interim financial statements have, however, been limited based on the format prescribed by the SBP vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for annual financial statements and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2017.
- 2.3 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.
- 2.4 The financial results of the Group's Islamic Banking business have been consolidated in these financial statements for reporting purposes, after eliminating material inter-group transactions / balances. Key financial figures of the Islamic Banking business are disclosed in note 23 to these consolidated condensed interim financial statements.
- 2.5 For the purpose of translation, rate of Rs. 121.4972 per US Dollar (December 31, 2017: Rs.110.4172) has been used.

3 STATEMENT OF COMPLIANCE

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

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

- 3.2 The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of this consolidated condensed interim financial information. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars. Further, segment information is being disclosed in accordance with SBP's prescribed formats per BSD circular 4 dated February 17, 2006 which prevails over the requirements specified in IFRS 8.
- 3.3 IFRS10 Consolidated Financial Statements was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the repealed Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of this standard have not been applied in the preparation of these consolidated condensed interim financial statements to the extent of their applicability to these mutual funds.
- 4 BASIS OF MEASUREMENT
- 4.1 These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain classes of fixed assets and non-banking assets acquired in satisfaction of claims are stated at revalued amounts and certain investments and derivative financial instruments have been marked to market and are carried at fair value. In addition, obligations in respect of staff retirement benefits are carried at present value.
- 4.2 These consolidated condensed interim financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.
- 5 SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT
- 5.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2017 except for the following:
- Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets was being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly the management has changed the accounting policy to bring accounting of revaluation surplus on fixed assets in accordance with IAS 16 "Property, plant and equipment". The management of the Bank believes that the impact of change in accounting policy is not material, therefore no adjustments are being made in these consolidated financial statements.

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

- 5.2 The financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements of the Group for the year ended December 31, 2017.
- 6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS
- The basis for significant accounting estimates and judgments adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2017.

7. LENDINGS TO FINANCIAL INSTITUTIONS

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

Note	June 30, 2018		
	Held by bank	Given as collateral	Total
----- Rupees in '000 -----			
8. INVESTMENTS - NET			
8.1 Investments by types			
Held-for-trading securities	1,297,925	-	1,297,925
Available-for-sale securities	511,092,664	150,633,859	661,726,523
Held-to-maturity securities	30,828,806	-	30,828,806
	543,219,395	150,633,859	693,853,254
Associates			
- Adamjee Insurance Company Limited	4,109,626	-	4,109,626
- Euronet Pakistan (Private) Limited	67,714	-	67,714
	4,177,340	-	4,177,340
Investments at cost	547,396,735	150,633,859	698,030,594
Less: Provision for diminution in the value of investments	(5,941,460)	-	(5,941,460)
Investments (net of provisions)	541,455,275	150,633,859	692,089,134
Surplus / (deficit) on revaluation of available for sale securities - net	1,933,405	199,911	2,133,316
Surplus / (deficit) on revaluation of held-for-trading securities - net	(13,363)	-	(13,363)
Investments at revalued amounts - net of provisions	543,375,317	150,833,770	694,209,087

Note	December 31, 2017		
	Held by bank	Given as collateral	Total
----- Rupees in '000 -----			
Held-for-trading securities	422,464	-	422,464
Available-for-sale securities	531,176,288	88,919,726	620,096,014
Held-to-maturity securities	34,360,712	-	34,360,712
	565,959,464	88,919,726	654,879,190
Associates			
- Adamjee Insurance Company Limited	4,385,602	-	4,385,602
- Euronet Pakistan (Private) Limited	70,637	-	70,637
	4,456,239	-	4,456,239
Investments at cost	570,415,703	88,919,726	659,335,429
Less: Provision for diminution in the value of investments	(5,984,983)	-	(5,984,983)
Investments (net of provisions)	564,430,720	88,919,726	653,350,446
Surplus / (deficit) on revaluation of available for sale securities - net	6,744,517	(24,445)	6,720,072
Surplus / (deficit) on revaluation of held-for-trading securities - net	(272)	-	(272)
Investments at revalued amounts - net of provisions	571,174,965	88,895,281	660,070,246

- 8.2 Investments include Pakistan Investment Bonds amounting to Rs. 67.9 million (December 31, 2017: Rs. 67.9 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5.0 million (December 31, 2017: Rs. 5.0 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.
- 8.3 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2018 amounted to Rs. 3,411.100 million (December 31, 2017: Rs. 3,906.139 million).

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

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

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

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

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

9. ADVANCES - NET

	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	504,982,962	463,689,530
- Outside Pakistan	25,716,597	24,537,474
	530,699,559	488,227,004
Islamic Financing and related assets	52,985,829	31,474,154
Net Investment in finance lease		
- In Pakistan	4,505,261	4,176,737
- Outside Pakistan	644,668	525,309
	5,149,929	4,702,046
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	6,625,157	7,197,552
- Payable outside Pakistan	12,826,888	15,070,945
	19,452,045	22,268,497
Advances - gross	608,287,362	546,671,701
Less: Provision against loans and advances		
- Specific provision	9.1 (43,112,022)	(44,587,644)
- General provision	9.2 (561,231)	(504,172)
- General provision against consumer loans & small enterprise loans	9.3 (532,232)	(533,795)
- General provision by overseas operations	9.4 (137,655)	(80,289)
	(44,343,140)	(45,705,900)
Advances - net of provision	563,944,222	500,965,801

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
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9.1 Advances include Rs. 47,131.740 million (December 31, 2017: Rs. 48,753.349 million) which have been placed under non-performing status as detailed below:

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
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11.1. Details of borrowings (secured / unsecured)

	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
Secured		
Borrowings from State Bank of Pakistan	24,955,501	25,683,299
Export refinance scheme	13,693,257	12,797,076
Long term financing facility	104,630	100,866
Refinance Facility for modernization of SME	29,479	3,680
Renewable energy performance platform	143,171	254,045
Financing facility for storage of agricultural produce	38,926,038	38,838,966
Repurchase agreement borrowings	150,525,656	88,849,251
	189,451,694	127,688,217
Unsecured		
Borrowings from other financial institutions	6,687,231	8,259,274
Call borrowings	2,004,704	3,285,818
Foreign borrowings payable in local currency	162,286	162,286
Overdrawn nostro accounts	947,998	1,066,543
	9,802,219	12,773,921
	199,253,913	140,462,138

12. DEPOSITS AND OTHER ACCOUNTS

	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
Customers		
Fixed deposits	74,460,021	71,555,175
Savings deposits	561,053,299	527,071,726
Current accounts	401,418,200	365,274,018
Margin accounts	9,486,014	10,115,015
	1,046,417,534	974,015,934
Financial institutions		
Remunerative deposits	13,630,592	16,534,020
Non-remunerative deposits	10,292,671	10,596,208
	23,923,263	27,130,228
	1,070,340,797	1,001,146,162

13. SUB-ORDINATED LOANS

Term Finance Certificates - Listed, Unsecured	3,891,798	3,892,578
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Mark-up	Floating (no floor, no cap) rate of return at Base Rate +1.15% (The Base Rate is defined as the average "Ask Side" rate of the six month Karachi Interbank Offered Rate ("KIBOR")).
Security	The TFCs are unsecured and subordinated to all other indebtedness of the Bank including deposits.
Issue Date	June 19, 2014
Issue Amount	Rs. 4,198.035 million
Rating	AAA (triple A)
Tenor	8 years from the Issue Date
Redemption	Fifteen equal semi-annual installments of 0.02% of the Issue Amount for the first ninety months followed by remaining 99.70% on maturity at the end of the ninety sixth month.
Maturity	June 19, 2022
Call Option	The Bank may call the TFCs, in part or full, on any profit payment date from the 60th month from the last day of public subscription and on all subsequent profit payment dates, subject to the SBP approval and not less than forty five days prior notice being given to the Trustee and the Investors.
Lock-in- Clause	Neither profit nor principal can be paid (even at maturity) if such payments will result in a shortfall in the Banks' Minimum Capital Requirements (MCR) or Capital Adequacy Ratio (CAR) or increase any existing shortfall in MCR and CAR. In case the lock-in clause goes into effect, the Bank will be required to comply with the SBP instructions prevalent or issued at the time.
Loss Absorbency Clause	The TFCs will be subject to loss absorbency clause as stipulated under the "Instructions for Basel III Implementation in Pakistan".

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
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14. DEFERRED TAX LIABILITY / (ASSET) - NET

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

Taxable temporary differences on:

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

Deductible temporary differences on:

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

	June 30, 2018	December 31, 2017
	----- (Rupees in '000) -----	
	1,036,848	1,051,507
	75,273	75,273
	1,683,014	1,704,905
	1,062,228	2,096,688
	705,218	705,218
	1,211,611	1,291,483
	650,673	2,260,717
	6,424,865	9,185,791
	(2,064,991)	(3,282,517)
	(409,595)	(209,657)
	(201)	(201)
	(54,202)	(32,343)
	(2,528,989)	(3,524,718)
	3,895,876	5,661,073

15. CONTINGENCIES AND COMMITMENTS

15.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring

- Government
- Banks and financial institutions
- Others

	102,281,050	75,282,524
	5,543,586	5,345,816
	6,447,366	6,960,826
	114,272,002	87,589,166

15.2 Transaction-related contingent liabilities

Guarantees in favour of:

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

	34,262,492	28,536,667
	86,381	80,377
	19,038,217	16,788,987
	2,407,107	1,992,913
	55,794,197	47,398,944
	166,659,312	149,495,964

15.3 Trade-related contingent liabilities

15.4 Other contingencies

Claims against the Bank not acknowledged as debts

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

	11,320,218	5,938,071
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15.5 Commitments to extend credit

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

15.6 Commitments in respect of forward foreign exchange contracts

Purchase

	116,997,177	85,637,860
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Sale

	96,221,484	75,559,527
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15.7 Commitments for the acquisition of fixed assets

	431,750	150,868
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15.8 Other commitments

FX options (notional amount)

Purchase

	983,759	865,718
--	---------	---------

Sale

	983,759	865,718
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Cross Currency Swaps (Notional)

	6,648,899	3,232,144
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Interest Rate Swaps (Notional)

	316,500	316,500
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Outright purchase of Government Securities

	3,000,000	7,000,000
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Outright sale of Government Securities

	600,000	-
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Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
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15.9 Taxation

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

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

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

Half year ended	
June 30, 2018	June 30, 2017
---- (Rupees in '000) ----	

16. GAIN ON SALE OF SECURITIES - NET

	June 30, 2018	June 30, 2017
Federal Government Securities		
-Market Treasury Bills	21,357	1,683
-Pakistan Investment Bonds	92,131	17,307
Listed Shares	873,565	3,227,987
	987,053	3,246,977

17. ADMINISTRATIVE EXPENSES

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

18. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

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

19. CREDIT RATING

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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Fair Value

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

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

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

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21 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Half year ended June 30, 2018						
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Inter segment elimination	Total
	(Rupees in '000)						
Total income	53,954	6,151,614	19,584,843	6,054,318	378,593	-	32,223,322
Total expenses	(34,920)	(1,569,423)	(13,260,322)	(1,427,301)	(239,967)	-	(16,531,933)
Income tax expense	-	-	-	-	-	-	(6,220,167)
Net income	19,034	4,582,191	6,324,521	4,627,017	138,626	-	9,471,222
Segment assets - (Gross of NPLs Provisions)	266,608	809,130,257	1,112,025,728	545,930,955	2,269,107	(952,555,904)	1,517,066,751
Advance taxation (payment less provision)	-	-	-	-	-	-	13,148,581
Total assets	266,608	809,130,257	1,112,025,728	545,930,955	2,269,107	(952,555,904)	1,530,215,332
Segment non performing loans	-	-	12,676,067	34,455,673	-	-	47,131,740
Segment specific provision required	-	-	11,978,801	31,133,221	-	-	43,112,022
Segment liabilities	36,952	758,073,886	1,110,421,669	413,114,147	696,402	(952,555,904)	1,329,787,153
Deferred tax liabilities - net	-	-	-	-	-	-	3,895,876
Total liabilities - net	36,952	758,073,886	1,110,421,669	413,114,147	696,402	(952,555,904)	1,333,683,029
Segment return on assets (ROA) (%)	40.47%	1.52%	3.56%	2.35%	16.68%	-	-
Segment cost of fund (%)	-	6.07%	3.73%	5.84%	-	-	-
	Half year ended June 30, 2017						
	(Rupees in '000)						
Total income	146,061	9,686,750	17,058,416	3,454,925	362,482	-	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 provision)	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%	-	-	-

Total income = Net markup income + non-markup income

Total expenses = Non Mark up expenses + Provisions

Segment assets and liabilities include inter segment balances.

Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates.

Segment cost of funds have been computed based on the average balances.

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

22 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

	Directors		Associates		Other Related Parties		Key Management	
	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017	Six months ended June 30, 2018	Year ended Dec 31, 2017
	(Rupees in '000)							
A. Balances								
Deposits								
Opening balance	3,953,730	2,542,067	2,744,432	2,568,584	3,800,959	2,322,934	148,080	105,761
Received during the period / year	1,565,360	3,686,510	8,759,257	37,478,917	27,863,683	3,671,521	469,093	751,440
Withdrawn during the period / year	(2,010,653)	(2,274,847)	(9,422,702)	(37,303,069)	(25,991,155)	(4,376,981)	(442,704)	(709,121)
Closing balance	3,508,437	3,953,730	2,080,987	2,744,432	5,673,487	1,557,474	174,469	148,080
Advances								
Opening balance	-	195	-	-	2,322,934	262,113	82,348	84,787
Additions / adjustments during the period / year	-	-	-	-	3,671,521	4,491,988	36,506	10,536
Repaid / adjustments during the period / year	-	(195)	-	-	(4,376,981)	(2,431,167)	(8,929)	(12,975)
Closing balance	-	-	-	-	1,557,474	2,322,934	109,925	82,348
Borrowings								
Opening balance	-	-	-	-	993,755	936,788	-	-
Additions / adjustments during the period / year	-	-	-	-	-	1,356,967	-	-
Repaid / adjustments during the period / year	-	-	-	-	(264,772)	(1,300,000)	-	-
Closing balance	-	-	-	-	728,983	993,755	-	-
Other Balances								
Outstanding balance of credit cards	1,045	946	-	-	1,268	1,674	1,942	1,819
Receivable from Pension Fund	-	-	-	-	3,034,941	5,990,537	-	-
Commitments and contingent liabilities - outstanding	-	-	8,337	9,840	3,349,952	976,586	-	-
Forward purchase of government securities	-	-	-	-	2,500,000	-	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	-	17,562,997	-	-
Unrealized gain / (loss) on forward foreign exchange contracts - outstanding	-	-	-	-	-	68,442	-	-
Trade payable	15,689	12,566	39,101	39,730	28,754	22,553	464	113
Markup payable	1,002	5,401	11,774	8,063	756	559	-	-
Other payable	-	-	1,947	37	27,929	27,929	-	-
Other advances	-	-	876	3,199	23,083	14,958	2,177	589
Markup receivable	-	-	-	-	540	1,620	-	-
Other receivable	-	-	-	557	-	-	-	-
Commission receivable	-	-	98,300	48,253	-	-	-	-

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

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

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.

B. Transactions during the period

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

23 ISLAMIC BANKING BUSINESS

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

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

23.1 ISLAMIC FINANCING AND RELATED ASSETS

	June 30, 2018	December 31, 2017
---- (Rupees in '000) ----		
In Pakistan		
- Murabaha financing	7,270,181	5,078,311
- Inventory held under Murabaha	7,422,856	4,513,090
- Advances against Murabaha	1,816,479	421,318
- Murabaha under Islamic Export Refinance Scheme	144,615	101,575
- Advances against Murabaha under Islamic Export Refinance Scheme	96,000	-
- Diminishing Musharakah	11,121,394	8,903,262
- Advances against Diminishing Musharakah	4,095,223	1,248,246
- Running Musharakah financing	16,598,599	8,009,283
- Running Musharakah under Islamic Export Refinance Scheme	808,000	806,700
- Net book value of assets in Ijarah under IFAS 2	1,804,628	1,484,260
- Advances against Ijarah	538,796	139,249
- Advances against Istisna under Islamic Export Refinance Scheme	200,000	100,000
- Staff finance	1,069,058	668,860
Islamic financing and related assets - gross	52,985,829	31,474,154
Provision against non performing Islamic financing and related assets	(6,888)	(1,219)
Islamic financing and related assets - net of provision	52,978,941	31,472,935

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
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The profit and loss account of the Group's Islamic banking business for the half year ended June 30, 2018 is as follows:

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

24 GENERAL

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

25 NON-ADJUSTING EVENT

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

26 DATE OF AUTHORIZATION FOR ISSUE

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



Imran Maqbool
President / CEO



Hammad Khalid
Chief Financial Officer
(Officiating)



Nor Hizam Bin Hashim
Director



Iqraa Hassan Mansha
Director



Muhammad Ali Zeb
Director

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