



Bank for Life

HALF YEARLY REPORT

2019



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. Salman Khalid Butt	Director
Mr. Masood Ahmed Puri	Director
Mr. Shahzad Hussain	Director
Mr. Imran Maqbool	President & CEO

Audit Committee

Mr. Shahzad Hussain	Chairman
Mian Umer Mansha	Member
Mr. Muhammad Ali Zeb	Member
Mr. Nor Hizam Bin Hashim	Member

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

On behalf of the Board of Directors, we are pleased to place before you, the unconsolidated condensed interim financial statements of MCB Bank Limited (MCB) for the six months period ended June 30, 2019;

	Rs. in Million
Profit Before Taxation	18,249
Taxation	7,574
Profit After Taxation	10,675
Un-appropriated Profit Brought Forward	53,532
Re-measurement loss on defined benefit obligations - net of tax	(534)
Surplus realised on disposal of revalued fixed assets – net of tax	10
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	27
	53,035
Profit Available for Appropriation	63,710
Appropriations:	
Statutory Reserve	1,068
Final Cash Dividend - December 2018	4,740
Interim cash dividend - March 31, 2019	4,740
Total Appropriations	10,548
Un-appropriated Profit Carried Forward	53,162

Performance Review

MCB reported profit before tax of Rs 18.25 billion which is 14% higher than the corresponding last period and translated into earnings per share of Rs 9.01 (2018: Rs 8.24). This was achieved through continuous improvement in the operating efficiencies along with improving margins based on strategic positioning of the asset book. Profit after tax (PAT) of the Bank increased by 9% to Rs. 10.68 billion as the Bank recorded super tax @ 4% for the tax year 2018, as enacted through the Second Supplementary Act, 2019; resultantly, effective tax rate for the six months ended June 30, 2019 is reported at 42% which is 3% higher than the corresponding last period.

These are encouraging set of results, particularly in the context of heightened economic concerns in Pakistan. The Bank remained focused on executing its outlined strategy while being alert to risks in the economy.

Net interest income increased to Rs 27.80 billion, 23% higher than corresponding last period. Volumetric growth in average earning assets, particularly advances, along with effective mix of shorter maturity investments in a rising interest rate scenario enabled the Bank to post a higher gross mark-up income by Rs. 21.42 billion, up 57% over corresponding period last year. In spite of volumetric growth in deposits with re-pricing upon each policy rate change, gross mark-up expense growth was curtailed to Rs.16.237 billion by focusing on low cost opportunities.

The non-markup income block of the Bank was reported at Rs 7.9 billion with major contributions coming in from fee commission and foreign exchange income. Fees and commissions generated from core banking businesses increased by 4% to Rs 5.6 billion. Foreign exchange income increased by 47% to Rs 1.7 billion as a result of better leveraging of market opportunities.

Notwithstanding significant inflationary pressures (June-19 YoY CPI of 8.9%), overall administrative expenses increased by 7% over corresponding last period excluding pension fund cost. Variance includes the cost charged against the deposit protection

premium amounting to Rs. 576 million, which was applicable from July 01, 2018; excluding the impact of deposit protection premium, the increase in operating cost was only 3.3%.

As one of the key strengths of MCB Bank, the Bank continued with its NPL recovery trajectory, thereby reversing provision against advances amounting to Rs. 701 million in the first six months of 2019. The coverage and gross NPLs to advances ratio improved to 89.14% and 8.64% respectively.

Total asset base of the Bank on unconsolidated basis was reported at Rs. 1.57 trillion showing an increase of 5% over December 2018. Analysis of the assets mix highlights that net investments have increased by Rs. 44.1 billion (+6%) whereas advances have increased by Rs. 10.6 billion over December 31, 2018.

The Bank remained ahead of the industry on the domestic deposits front, increasing its share to 7.65% from 7.57% as of December 2018. The deposit base of the Bank has registered a healthy increase of Rs. 99.6 billion and stood at Rs. 1,148.6 billion, a growth of 9% over December 2018. Focusing on its low cost deposit base, the Bank was able to increase current deposits at the rate of 9% over December 2018, which reflects the customer confidence and the inherent value of a strong brand name.

The Board of Directors has declared 2nd interim cash dividend of Rs 4.0 per share i.e. 40% bringing the total cash dividend for the year ending 2019 to 80%.

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, 2019.

Economy Review

During the second quarter of 2019, Pakistan's macroeconomic fundamentals showed mixed performance as government continued its efforts to work towards fiscal consolidation along with monetary tightening by SBP to contain the twin deficits.

On the positive side, Pakistan's current account deficit shrunk to \$13.59bn during FY19 from \$19.90bn in FY18, recording a substantial improvement. Reduction in current account deficit can be attributed to a decline in imports, which reduced by 7.3% during FY19 as compared to FY18. Current account balance was also supported by an increase in remittances, which grew by 9.7% from July-June FY19 as compared to the same period last year. However, in spite of significant PKR depreciation against USD, Pakistan's exports remained lower during the fiscal year, falling by 2.2%.

Pakistan's FX reserves showed a decline during the second quarter of 2019 due to interest and debt repayments and also because of the relatively large CAD. SBP reserves decreased from \$10.5bn at the end of March 2019 to \$7.3bn at June end. Overall, the country's reserves fell from \$17.4bn in March 2019 to \$14.4bn in June 2019. However, Pakistan has been able to secure a bailout package with IMF which would help Pakistan improve its position on the external front. Moreover, deferred oil payments from Saudi Arabia would further aid the country in building up its reserves.

The USDPKR parity remained volatile during the quarter. Starting the quarter at PKR 140.8937 and after touching a high of PKR 164.0557 in June 2019, the rupee settled at PKR 160. 0521 against USD at quarter end. The total depreciation of rupee recorded during the quarter was 13.7%.

Pakistan's CPI inflation, meanwhile, began the quarter at 8.8% YoY in April 2019 as compared to 3.7% in the same period last year. However, the index rose to 9.1% in March 2019 and then settled at 8.9% in June 2019. The average inflation for the FY19 clocked in at 7.3% which was within the SBP's targeted range of 6.5%-7.5%. Core inflation, on the other hand, increased from 7.0% YoY in April 2019 to 7.2% YoY in June 2019. The State Bank of Pakistan raised the policy rate by 150 bps during the quarter from 10.75% to land at 12.25% with a further 100bps increase in July, 2019. The decision was taken by SBP to combat the inflationary pressures.

As regards to Pakistani stock markets, the KSE-100 fell during the quarter owing to macroeconomic instability and rising interest rates. The index began the quarter at 38,649 points and stood at 33,901 points at quarter end.

On the fiscal side, the government's budget deficit stood at 5.0% of GDP during Jul-Mar FY2019, and it is estimated that the full fiscal year's deficit will reach 6.8% of GDP. The government also announced its budget for the next fiscal year on June 11, 2019 in which numerous revenue enhancement measures were taken. The tax revenue target for the next fiscal year is set at PKR 5.5tr against the revised target of PKR 4.4tr for the outgoing fiscal year. In FY20, government is eyeing a fiscal deficit of 7.1% of GDP while inflation is expected to fall within 11%-13%.

Future Outlook

Pakistan has faced many challenges since the start of FY19. During the year, PKR depreciated by 32% while consecutive rate hikes muted the business sentiment. Moving forward, the situation is expected to stabilize to a certain extent as Pakistan secured a bailout package from IMF. Moreover, financial inflows from friendly countries will help in strengthening up Pakistan's position at the external front. Enhancing the exports will still be a major concern for the government due to the lack of competitiveness. Moreover, in order to achieve the optimistic budgetary revenue targets, government will have to take stringent actions to increase its tax proceeds. The challenge for the government remains to contain inflation within its targeted range and prevent it from dampening the market sentiment further.

Appreciation and Acknowledgements

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

For and on behalf of the Board of Directors,

Imran Maqbool

Imran Maqbool
President & CEO,
MCB Bank Limited
August 07, 2019



Mian Umer Mansha
Director
MCB Bank Limited

دوسری جانب خالص افراط زر اپریل 2019 کی 7.0 فیصدی سال پر سال کی بنیاد کی شرح سے بڑھ کر جون 2019 تک 7.2 فیصد کی سال پر سال کی بنیاد کی شرح پر درج ہوا۔ اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ کی شرح میں اس سرمایہ کے دوران 150 بی بی ایس کا اضافہ کرتے ہوئے اس کی شرح 10.75 فیصد سے بڑھا کر 12.25 فیصد تک مقرر کر دی۔ اسٹیٹ بینک آف پاکستان نے یہ فیصلہ افراط زر کے دباؤ سے نمٹنے کے لیے کیا۔

جہاں تک پاکستان کی اسٹاک مارکیٹ کا تعلق ہے، میکرو اکنامک عدم توازن اور بڑھتے ہوئے انٹرسٹ ریٹس کے پیش نظر کے ایس ای - 100 انڈیکس، اس سرمایہ کے دوران کمی کا شکار رہا۔ انڈیکس نے سرمایہ کا آغاز 38,649 پوائنٹس سے کیا اور سرمایہ کے اختتام پر 33,901 پوائنٹس پر درج ہوا۔

مالیاتی انضباط کے حوالے سے، حکومت کا بجٹ خسارہ مالی سال 2019 میں جولائی تا مارچ کے عرصہ میں جی ڈی پی کا 5 فیصد رہا۔ اور اس امر کی توقع ہے کہ مکمل مالی سال کے اختتام پر یہ خسارہ جی ڈی پی کا 6.8 فیصد تک کی شرح پر چاہیے گا۔ حکومت نے 11 جون 2019 کو آئیو اے مالی سال کے لیے اپنے نئے بجٹ کا اعلان بھی کر دیا ہے۔ جس میں آمدنی میں اضافہ کے بے شمار اقدامات اٹھائے گئے ہیں۔ آئیو اے مالی سال کے لیے گزشتہ سال کے تجدید شدہ 4.4 ٹریلین روپے کے ہدف کی نسبت 5.5 ٹریلین روپے کا نیکس وصولیوں کا ہدف مقرر کیا گیا ہے۔ مالی سال 2020 میں حکومت مالیاتی خسارہ کو جی ڈی پی کا 7.1 فیصد پر برقرار رکھنے کی کوشش میں ہے اور افراط زر کی شرح 11 فیصد سے 13 فیصد کے درمیان متوقع ہے۔

مستقبل کی پیش بینی:

مالی سال 2019 کے آغاز سے ہی پاکستان کو کئی چیلنجز درپیش رہے ہیں۔ اس سال کے دوران پاکستانی روپے کی قدر میں 32 فیصدی تنزیل ہوئی اور مسلسل بڑھتے ہوئے انٹرسٹ ریٹ کے باعث کاروباری رجحانات پر سکوت طاری رہا۔ مستقبل میں اس صورتحال میں قدرے استحکام کی توقع ہے کیونکہ پاکستان نے آئی ایم ایف سے تیل آؤٹ سیکینج حاصل کر لیا ہے۔ مزید برآں دوست ممالک سے حاصل ہونے والی مالی اعانت سے پاکستان کو بیرونی محاذ پر درپیش دباؤ سے نبرد آزما ہونے میں مدد حاصل ہو گی۔ مسابقت میں کمی کے باعث برآمدات کا فروغ حکومت کے لیے اب بھی ایک نہایت قویہ طلب مسئلہ رہے گا۔

علاوہ ازیں حکومت کو اپنی آمدنی کے ہدف کے حصول کے لیے نیکس وصولیوں میں اضافہ کے لیے سخت اقدامات کرنا ہوں گے۔ حکومت کو افراط زر کو انکی تعین شدہ حدود میں برقرار رکھنے اور مارکیٹ کے رجحانات پر اسکو مزید منفی طور پر اثر انداز ہونے سے روکنے کے لیے کڑے امتحان کا سامنا ہے۔

تحسین و تشکر:

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

منجانب و برائے بورڈ آف ڈائریکٹرز

میاں عمر منشا

ڈائریکٹر

ایم سی بی بینک لمیٹڈ

عمران مقبول

پریذیڈنٹ اور سی ای او

ایم سی بی بینک لمیٹڈ

07 اگست 2019

7 فیصد کا اضافہ ہوا۔ ان اخراجات میں 576 ملین روپے کی ڈیپازٹ پروفیکشن پریم کی لاگت، جس کا اطلاق 01 جولائی 2018 سے ہوا، شامل ہے۔ ڈیپازٹ پروفیکشن پریم سے قطع نظر کارکردگی کی لاگت میں اضافہ محض 3.33 فیصد تھا۔

بینک کا اپنی وصولیوں پر جاری مسلسل ارتکاز، غیر فعال قرضوں کے اخراجات میں کمی کے لیے مددگار رہا ہے۔ پہلی ششماہی کے اختتام پر بینک نے پروویژن (provision) کے اخراجات میں 701 ملین روپے کی کٹوتی کی۔ بینک کی کوریج اور انٹیکشن کی شرح بالترتیب 89.14 فیصد اور 8.64 فیصد رہی۔

بینک کے کل اثاثہ جات، غیر مجموعی بنیاد پر، دسمبر 2018 سے 5 فیصد کے اضافہ کے ساتھ 1.57 ٹریلین روپے پر رپورٹ ہوئے۔ اثاثہ جات کی ترکیب کا جائزہ اس امر کا غماز ہے کہ 31 دسمبر 2018 کی نسبت خالص سرمایہ کاری میں 44.1 ملین روپے (6%+)، قرضہ جات میں 10.6 ملین روپے تک کا اضافہ ہوا۔

واجبات کی مد میں، بینک کے ڈیپازٹ کی بنیاد میں نمایاں اضافہ دیکھا گیا جو کہ 99.6 ملین روپے کے اضافہ کے ساتھ 1,148.6 ملین روپے کے حجم تک جا پہنچے۔ جو کہ سال 2018 سے 9 فیصد زائد ہے اور دسمبر 2018 میں 7.57 فیصد کے اپنے داخلی شیئر کی نسبت 7.65 فیصد اضافہ کو ظاہر کرتا ہے۔ 30 جون 2019 کو اختتام پذیر ششماہی کے دوران ڈیپازٹس کی ترکیب میں منفعت کو برقرار رکھا گیا ہے جو کہ صارفین کے اعتماد اور مضبوط براڈ کی عکاس ہے۔

بورڈ آف ڈائریکٹرز نے 4 روپے فی شیئر 40 فیصد کے عبوری کیش ڈیویڈنڈ کا اعلان کیا ہے جس کے بعد سال 2019 میں کیش ڈیویڈنڈ کا کل حجم 80 فیصد پر جا پہنچا ہے۔

ریٹنگ:

پاکرا (PACRA) کے ٹیلیکیشن تاریخ 27 جون 2019 کی بنیاد پر بینک، طویل اور قلیل مدت کی بالترتیب AAA اور A1+ کی بلند ترین کریڈٹ ریٹنگ کے مستفید ہو رہا ہے۔

معاشی جائزہ:

حکومت کے مالی استحکام کے لیے جاری اقدامات اور اسٹیٹ بینک آف پاکستان کے دہرے خسارے پر قابو رکھنے کے لیے اٹھائے گئے کڑے مالیاتی انتظامات کی وجہ سے سال 2019 کی دوسری سہ ماہی کے دوران پاکستان کی میکرو اکنامک اساس میں طے چلے رجحان کی عکاسی نظر آئی۔

ایک مثبت پہلو کے طور پر، پاکستان کا کرنٹ اکاؤنٹ خسارہ مالی سال 2018 کے 19.90 بلین امریکی ڈالر کی نسبت مالی سال 2019 میں 13.59 بلین امریکی ڈالر تک کے حجم پر درج ہوا جو کہ ایک قابل ذکر بہتری کا مظہر ہے۔ کرنٹ اکاؤنٹ کے خسارہ میں اس کمی کے بنیادی عوامل میں درآمدات میں کمی رہی جو مالی سال 2018 کی نسبت مالی سال 2019 میں 7.3 فیصد کی کمی پر درج کی گئی۔ کرنٹ اکاؤنٹ بیلنس کو ترسیلات زر میں اضافہ کا تعاون بھی حاصل رہا، جن میں مالی سال 2019 کے جولائی تا جون کے عرصہ میں گزشتہ تقابلی مدت کی نسبت 9.7 فیصد کے اضافہ درج کیا گیا۔ تاہم امریکی ڈالر کی نسبت روپے کی قدر میں ہونے والی نمایاں تنزلی کے باوجود پاکستان کی برآمدات اس سال میں انحطاط کا شکار رہیں اور ان میں 2.2 فیصد کمی دیکھی گئی۔

پاکستان کے غیر ملکی زرمبادلہ کے ذخائر میں سال 2019 کی دوسری سہ ماہی کے دوران، کرنٹ اکاؤنٹ کے خسارہ اور بڑھتے ہوئے انٹرسٹ اور قرضوں کی ادائیگیوں کے بوجھ کی وجہ سے کمی دیکھی گئی۔ اسٹیٹ بینک آف پاکستان کے ذخائر مارچ 2019 کے اختتام تک 10.5 بلین امریکی ڈالر کے حجم کی نسبت، جون 2019 کے اختتام تک 7.3 بلین امریکی ڈالر پر درج ہوئے۔ مجموعی طور پر ملک کے زرمبادلہ کے ذخائر مارچ 2019 کے 17.4 بلین امریکی ڈالر کی سطح سے کم ہوتے ہوئے، جون 2019 کے اختتام تک 14.4 بلین امریکی ڈالر پر جا پہنچے۔ تاہم پاکستان، آئی ایم ایف سے تیل آؤٹ چیکج حاصل کر چکا ہے جس سے پاکستان بیرونی تراز پر اپنی صورتحال کو بہتر بنا سکے۔ علاوہ ازیں سعودی عرب سے مونچر ادائیگیوں کی بنیاد پر حاصل کئے گئے تیل کی بھی جولائی 2019 سے ماہانہ بنیاد پر وصولی شروع ہو رہی ہے جس سے ملک کے زر مبادلہ کو مزید تقویت حاصل ہوگی۔

اس سہ ماہی کے دوران پاکستانی روپیہ اور امریکی ڈالر کے تبادلہ کی شرح میں اتار چڑھاؤ کی کیفیت برقرار رہی۔ جو کہ سہ ماہی کے آغاز میں 140.8937 روپے فی ڈالر سے جون 2019 میں 164.0557 روپے فی ڈالر کی بلند سطح کو چھو کر اس سہ ماہی کے اختتام تک 160.0521 روپے فی ڈالر پر درج ہوا۔ اس سہ ماہی کے دوران روپے کی کل تنزلی کی شرح 13.7 فیصد پر ریکارڈ ہوئی۔

اسی اثناء میں پاکستان کے سی پی آئی افراط زر نے اس سہ ماہی کا آغاز اپریل 2019 میں 8.8 فیصد کی سال بہ سال کی بنیاد پر شرح سے کیا جبکہ گزشتہ سال کی اسی تقابلی مدت میں اس کی شرح 3.7 فیصد تھی۔ تاہم یہ انڈیکس مارچ 2019 میں 9.1 فیصد کی شرح تک بڑھ کر جون 2019 میں 8.9 فیصد کی شرح پر جا ٹھہرا۔ مالی سال 2019 کے دوران اوسط افراط زر 7.3 فیصد تک بڑھ گیا جو کہ اسٹیٹ بینک آف پاکستان کے 6.5 فیصد تا 7.5 فیصد کے قیمن شدہ ہدف کی حدود میں تھا۔

بورڈ آف ڈائریکٹرز کی جانب سے ہم ایم سی بی بینک لمیٹڈ (ایم سی بی) کے 30 جون 2019ء کو اختتام پذیر ششماہی کے غیر مجموعی مالیاتی گواہوں کا خلاصہ آپ کے سامنے پیش کرتے ہوئے سرتم محسوس کرتے ہیں۔

ملین روپے
18,249
7,574
10,675

53,532
(534)
10
27

53,035
63,710

1,068
4,740
4,740
10,548
53,162

منافع قبل از ٹیکس
ٹیکس

منافع بعد از ٹیکس

انتظامی غیر تخصیص شدہ منافع

ایکسپلائزٹیفکس پلان کی دوبارہ پینش سے نقصان (خالص از ٹیکس)
پائیدار اثاثوں کے سرپلس پرفورمنس سے حاصل آمدن (خالص از ٹیکس)

پائیدار اثاثوں کی ازسر نو تخمینہ پر اضافی آمدن
کی غیر تخصیص شدہ منافع میں منتقلی (خالص از ٹیکس)

تخصیص کیلئے دستیاب منافع
تخصیص:

قانونی ریزرو

حتمی کیش ڈیویڈنڈ برائے دسمبر 2018

عبوری کیش ڈیویڈنڈ برائے 31 مارچ 2019

کل تخصیص

انتظامی غیر تخصیص شدہ منافع

کارکردگی کا جائزہ:

ایم سی بی نے اپنی کارکردگی کی استعداد اور مارجنز میں مسلسل بہتری کے جاری عمل کے نتیجے میں 18.25 ملین روپے کا قبل از ٹیکس منافع حاصل کیا جو کہ گزشتہ تقابلی عرصہ کی نسبت 14 فیصد زیادہ ہے اور اس طرح 9.01 روپے تک کی فی حصص آمدنی (2018 : 8.24 روپے) حاصل کی۔ بینک کا انفرادی منافع بعد از ٹیکس 9 فیصد کے اضافہ کے ساتھ 10.68 ملین روپے تک ریکارڈ ہوا۔ بینک نے اس سال کے دوران دوسرے نمئی ایکٹ 2019 کے ذریعے قابل نفاذ 4 فیصد کے سپر ٹیکس، برائے ٹیکس سال 2018، کو درج کیا ہے جس کی بدولت 30 جون 2019 کو اختتام پذیر ششماہی تک ایکٹیکٹو ٹیکس ریٹ کی شرح 42 فیصد پر رپورٹ ہوئی اور جو اپنی تقابلی مدت سے 3 فیصد زیادہ ہے۔

یہ نتائج پاکستان میں بڑھتی ہوئی غیر یقینی صورتحال کے خصوصی تناظر میں خاصے حوصلہ افزاء ہیں۔ ہم معیشت کو تیز رفتاری سے چمکانا چاہتے ہوئے، گزشتہ سال میں اختیار کی گئی حکمت عملی پر توجہ مرکوز کیے ہوئے ہیں۔ بینک نے، اس سے مزید ابتر ہوتی غیر یقین پیش بنی کے پیش نظر اپنی لاگت اور سرمایہ کاری کو نہایت موثر طریقے سے منظم کر رکھا ہے اور اس عمل کو آئندہ بھی جاری رکھے گا۔

خالص انٹرسٹ آمدنی 27.80 ملین روپے تک بڑھ گئی جو کہ گزشتہ تقابلی مدت سے 23 فیصد زیادہ ہے۔ بڑھتے ہوئے انٹرسٹ ریٹ کی صورتحال میں اوسط پیداواری اثاثوں، خصوصاً قرضہ جات کی مد میں نہایت شاندار بڑھوتری دیکھی گئی اور اس کے ساتھ قلیل مدت کے حامل اوسط اثاثوں کی ترکیب میں موزونیت کے باعث بینک 21.42 ملین روپے کی بلند تر خالص مارک اپ آمدنی حاصل کر سکا جو کہ اپنی گزشتہ تقابلی عرصہ سے 57 فیصد اضافہ ہے۔ ڈیپازٹس میں قابل قدر اضافہ کے باوجود پالیسی ریٹ میں تبدیلی کے باعث ہونے والی فوری قدر و پینش کی وجہ سے مارک اپ کے اخراجات کو 16.237 ملین روپے تک محدود رکھا گیا۔

فیس دیکشن اور تبادلہ کی آمدنی کی وجہ سے بینک کی نان مارک اپ آمدنی 7.9 ملین روپے ریکارڈ کی گئی۔ فیس اور دیکشن کی آمدنی 4 فیصد کے ساتھ 5.6 ملین روپے پر جا پہنچی۔ مارکیٹ میں بہتر مواقع کے باعث تبادلہ کی آمدنی 47 فیصد کی شرح سے بڑھتی ہوئی 1.7 ملین روپے پر درج ہوئی۔

نمایاں افراط زر کے دباؤ کے باوجود (جون سال بہ سال کی بنیاد پر سی پی آئی (CPI) کی شرح 8.9 فیصد) مجموعی انتظامی اخراجات میں، پینشن فنڈ کی لاگت کے علاوہ، گزشتہ تقابلی مدت کی نسبت محض

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 2019 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 interim 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 2019 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.

Unconsolidated Condensed Interim Statement of Financial Position
As at June 30, 2019

Note	Unaudited June 30, 2019	Audited December 31, 2018
-----Rupees in '000-----		
ASSETS		
Cash and balances with treasury banks	7 136,930,272	103,174,597
Balances with other banks	8 15,521,478	11,878,975
Lendings to financial institutions	9 4,307,131	35,106,241
Investments	10 793,509,931	749,368,738
Advances	11 514,143,288	503,581,323
Fixed assets	12 47,488,952	40,811,956
Intangible assets	13 627,387	630,141
Deferred tax assets	-	-
Other assets	14 60,869,572	53,578,090
	1,573,398,011	1,498,130,061
LIABILITIES		
Bills payable	16 10,513,694	15,699,280
Borrowings	17 183,982,165	216,018,886
Deposits and other accounts	18 1,148,631,148	1,049,037,615
Liabilities against assets subject to finance lease	-	-
Subordinated debt	19 -	3,891,019
Deferred tax liabilities	20 819,530	1,532,177
Other liabilities	21 79,071,606	62,673,355
	1,423,018,143	1,348,852,332
NET ASSETS	150,379,868	149,277,729
REPRESENTED BY		
Share capital	11,850,600	11,850,600
Reserves	22 76,832,887	74,147,981
Surplus on revaluation of assets	23 8,534,302	9,747,104
Unappropriated profit	53,162,079	53,532,044
	150,379,868	149,277,729

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 42 form an integral part of these unconsolidated condensed interim financial statements.

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)
For the half year ended June 30, 2019



	Note	Quarter ended June 30, 2019	Half Year ended June 30, 2019	Quarter ended June 30, 2018	Half Year ended June 30, 2018
-----Rupees in '000-----					
Mark-up / return / interest earned	26	31,750,823	59,132,742	19,500,832	37,714,879
Mark-up / return / interest expensed	27	17,429,817	31,332,982	7,914,271	15,096,428
Net mark-up / interest income		14,321,006	27,799,760	11,586,561	22,618,451
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	2,752,224	5,566,442	2,622,060	5,349,728
Dividend income		520,879	710,261	394,182	557,993
Foreign exchange income		1,286,372	1,727,697	619,895	1,173,823
(Loss) / income from derivatives		(19,666)	(3,936)	35,554	33,488
(Loss) / gain on securities	29	(129,218)	(117,785)	361,615	1,141,653
Other Income	30	34,298	76,665	18,116	173,371
Total non-markup / interest Income		4,444,889	7,959,344	4,051,422	8,430,056
Total Income		18,765,895	35,759,104	15,637,983	31,048,507
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	31	8,108,813	16,279,039	7,716,139	17,116,161
Workers welfare fund		183,384	364,971	173,869	319,996
Other charges	32	60,660	106,855	35,905	74,737
Total non-markup / interest expenses		8,352,857	16,750,865	7,925,913	17,510,894
Profit before provisions		10,413,038	19,008,239	7,712,070	13,537,613
Provisions / (reversals) and write offs - net	33	1,243,821	759,664	(981,356)	(2,462,169)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		9,169,217	18,248,575	8,693,426	15,999,782
Taxation	34	3,574,082	7,573,581	3,707,450	6,236,666
PROFIT AFTER TAXATION		5,595,135	10,674,994	4,985,976	9,763,116
Rupees					
Basic and diluted earnings per share	35	4.72	9.01	4.21	8.24

The annexed notes 1 to 42 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool
Imran Maqbool
President / CEO

Hammad Khalid
Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Mian Umer Mansha
Director

Salman Khalid Butt
Salman Khalid Butt
Director

Iqraa Hassan Mansha
Iqraa Hassan Mansha
Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the half year ended June 30, 2019



	Quarter ended June 30, 2019	Half Year ended June 30, 2019	Quarter ended June 30, 2018	Half Year ended June 30, 2018
-----Rupees in '000-----				
Profit after taxation for the period	5,595,135	10,674,994	4,985,976	9,763,116
Other comprehensive income				
Items that may be reclassified to profit & loss account in subsequent periods:				
Effect of translation of net investment in foreign branches	1,289,581	1,617,407	342,439	629,377
Movement in surplus/ (deficit) on revaluation of investments - net of tax	(1,668,743)	(1,175,588)	(2,303,355)	(3,098,017)
	(379,162)	441,819	(1,960,916)	(2,468,640)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement loss on defined benefit obligations - net of tax	(534,194)	(534,194)	(545,478)	(679,241)
	(534,194)	(534,194)	(545,478)	(679,241)
Total comprehensive income	4,681,779	10,582,619	2,479,582	6,615,235

The annexed notes 1 to 42 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool
Imran Maqbool
President / CEO

Hammad Khalid
Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Mian Umer Mansha
Director

Salman Khalid Butt
Salman Khalid Butt
Director

Iqraa Hassan Mansha
Iqraa Hassan Mansha
Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended June 30, 2019



	Share capital	Share premium	Capital reserve	Non-distributable capital reserve	Exchange translation reserve	Statutory reserve	Revenue reserve	General reserve	Surplus/(deficit) on revaluation of investments	Fixed/non-banking assets	Unappropriated profit	Total
Balance as at December 31, 2017	11,850,600	23,751,114	908,317	908,317	483,363	27,123,049	18,600,000	4,588,120	12,485,087	53,778,057	153,566,337	
Total comprehensive income for the six months period ended June 30, 2018												
Profit after taxation for the six months period ended June 30, 2018	-	-	-	-	629,377	-	-	-	(3,098,077)	-	9,763,116	9,763,116
Other comprehensive income - net of tax	-	-	-	-	629,377	-	-	-	(3,098,077)	-	9,083,875	(3,447,881)
Transfer to statutory reserve	-	-	-	-	-	976,312	-	-	-	-	(976,312)	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	(26,796)	26,796	-
Transactions with owners, recorded 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)
Balance as at June 30, 2018	11,850,600	23,751,114	908,317	908,317	1,113,370	28,099,361	18,600,000	1,400,103	12,485,291	52,429,936	150,701,092	
Change in equity for six months period ended December 31, 2018												
Total comprehensive income for the six months period ended December 31, 2018												
Profit after taxation for the six months period ended December 31, 2018	-	-	-	-	516,173	-	-	-	(4,248,247)	172,774	11,596,462	11,596,462
Other comprehensive income - net of tax	-	-	-	-	516,173	-	-	-	(4,248,247)	172,774	19,955	(3,539,345)
Transfer to statutory reserve	-	-	-	-	-	1,159,646	-	-	-	-	(1,159,646)	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	(26,796)	26,796	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	-	(99,081)	99,081	-
Transactions with owners, recorded directly in equity												
Final cash dividend at Rs. 4.0 per share - June 30, 2018	-	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - September 30, 2018	-	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Balance as at December 31, 2018	11,850,600	23,751,114	908,317	908,317	1,629,543	29,259,007	18,600,000	1,400,103	12,485,291	53,532,044	149,277,729	
Total comprehensive income for the six months period ended June 30, 2019												
Profit after taxation for the six months period ended June 30, 2019	-	-	-	-	1,617,407	-	-	-	(1,175,588)	-	10,674,984	10,674,984
Other comprehensive income - net of tax	-	-	-	-	1,617,407	-	-	-	(1,175,588)	-	(534,194)	(92,375)
Transfer to statutory reserve	-	-	-	-	-	1,067,499	-	-	-	-	(1,067,499)	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	(26,051)	26,051	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	-	(10,563)	10,563	-
Transactions with owners, recorded directly in equity												
Final cash dividend at Rs. 4.0 per share - December 31, 2018	-	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - March 31, 2019	-	-	-	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Balance as at June 30, 2019	11,850,600	23,751,114	908,317	908,317	3,246,950	30,326,506	18,600,000	1,400,103	12,485,291	53,162,079	150,379,868	

For details of dividend declaration and appropriations, please refer note 40 to these unconsolidated condensed interim financial statements.

For details of reserves, please refer note 22 to these unconsolidated condensed interim financial statements.

The annexed notes 1 to 42 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool

Imran Maqbool
President / CEO

Hammad Khalid

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha

Mian Umer Mansha
Director

Salman Khalid Butt

Salman Khalid Butt
Director

Iqraa Hassan Mansha

Iqraa Hassan Mansha
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended June 30, 2019



CASH FLOW FROM OPERATING ACTIVITIES

Note	Half Year ended June 30, 2019	Half Year ended June 30, 2018
	18,248,575	15,999,782
	(710,261)	(557,993)
	17,538,314	15,441,789
Adjustments:		
Depreciation on fixed assets	31 1,524,444	1,013,152
Depreciation on non-banking assets acquired in satisfaction of claims	31 24,124	24,895
Amortization	31 128,980	127,725
Provisions / (reversals) and write offs - net	33 759,664	(2,462,169)
Workers welfare fund	364,971	319,996
Gain on sale of fixed assets	30 (36,641)	(67,079)
(Reversal)/ charge for defined benefit plans	(32,175)	1,953,336
Unrealized loss on revaluation of investments classified as held for trading	29 9,237	25,591
Gain on sale of shares in an associate	-	(247,677)
	2,742,604	687,770
	20,280,918	16,129,559
Decrease / (increase) in operating assets		
Lendings to financial institutions	30,799,110	(3,723,799)
Held-for-trading securities	3,303,019	(796,240)
Advances	(9,780,771)	(39,952,893)
Others assets (excluding advance taxation)	(15,414,213)	(569,961)
	8,907,145	(45,042,893)
Increase in operating liabilities		
Bills Payable	(5,185,586)	(9,276,010)
Borrowings from financial institutions	(31,436,836)	59,562,108
Deposits	99,593,533	72,175,966
Other liabilities (excluding current taxation)	11,287,055	787,036
	74,258,166	123,249,100
Defined benefits paid	(166,874)	(177,282)
Income tax paid	(332,689)	(5,255,349)
Net cash flow from operating activities	102,946,666	88,903,135

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	(51,375,701)	(38,114,742)
Net investments in held-to-maturity securities	543,145	3,346,052
Dividends received	679,473	876,620
Investments in fixed assets	(2,707,878)	(2,196,347)
Investments in Intangible assets	(148,681)	(178,163)
Proceeds from sale of fixed assets	87,749	79,753
Proceeds from sale of non-banking assets acquired in satisfaction of claims	40,000	-
Investments in non-banking assets acquired in satisfaction of claims	(64,445)	-
Investment in a subsidiary	-	(1,200,000)
Proceeds from divestment in an associate	-	295,448
Net cash outflow on merger	-	(22,214,180)
Effect of translation of net investment in foreign branches	1,617,407	629,377
Net cash flow used in investing activities	(51,328,931)	(58,676,182)

CASH FLOW FROM FINANCING ACTIVITIES

Payments of subordinated debt	(3,891,019)	(780)
Payment of lease liability against right-of-use-assets	(334,563)	-
Dividend paid	(9,394,092)	(10,783,824)
Net cash flow used in financing activities	(13,619,674)	(10,784,604)
Effects of exchange rate changes on cash and cash equivalents	4,750,546	2,223,887
Cash and cash equivalents transferred to MIB under the scheme of merger	-	(722,679)
	42,748,607	20,943,557
Cash and cash equivalents at beginning of the period	108,430,862	107,318,838
Cash and cash equivalents at end of the period	151,179,469	128,262,395

The annexed notes 1 to 42 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool

Imran Maqbool
President / CEO

Hammad Khalid

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha

Mian Umer Mansha
Director

Salman Khalid Butt

Salman Khalid Butt
Director

Iqraa Hassan Mansha

Iqraa Hassan Mansha
Director

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 the Pakistan stock exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,377 branches (2018: 1,376 branches) within Pakistan and 11 branches (2018: 11 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

2. BASIS OF PREPARATION

- 2.1** These unconsolidated condensed interim financial statements represent separate financial statements of MCB Bank Limited. The consolidated condensed interim financial statements of the Group are being issued separately.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan 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.
- 2.3** The unconsolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency. The amounts are rounded off to the nearest thousand.
- 2.4** 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.

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 State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 'Financial Instruments: Disclosures' on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 3.3** The SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I)/2016 dated January 28, 2016, it has been notified that the requirements of IFRS 10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.
- 3.4** The disclosures made in these unconsolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 05 of 2019 dated March 22, 2019 and IAS 34, Interim Financial Reporting. The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual unconsolidated financial statements for the financial year ended December 31, 2018.

3.5 Amendments to approved accounting standards that are effective in the current period

The State Bank of Pakistan (SBP) through its BPRD Circular Letter No. 05 of 2019 dated March 22, 2019 has amended the format of condensed interim financial statements of banks. All banks are directed to prepare their condensed interim financial statements on the revised format effective from the accounting year starting from January 01, 2019. Accordingly, the Bank has prepared these unconsolidated condensed interim financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format introduced additional disclosure requirements and required certain reclassification of profit and loss comparative numbers. Under revised format, cost of foreign currency swaps (note 27) amounting to Rs 1,092.168 million (2018: Rs 285.665 million) which was previously shown as part of foreign exchange income has now been shown as part of mark-up / return / interest expense in the unconsolidated condensed interim statement of profit and loss account.

The Bank has adopted "IFRS 15 Revenue from Contracts with Customers" and "IFRS 16 Leases" effective 01 January 2019. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Bank has adopted IFRS 15 from 01 January 2019. The timing or amount of income from contracts with customers was not impacted by the adoption of IFRS 15, accordingly, the adoption of this standard has no material impact in these unconsolidated condensed interim financial statements. The impact of adoption of IFRS 16 on the Bank's unconsolidated condensed interim financial statements is disclosed in note 4.1.1.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or not to have any significant impact on the Bank's unconsolidated condensed interim financial statements.

3.6 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (annual periods beginning on or after)
IFRS 3, Business Combinations - (Amendments)	January 1, 2020
IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from SBP, the requirements of IFRS 9 have not been considered for Pakistan operations of the Bank in preparation of these unconsolidated condensed interim financial statements.

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard.

The Bank expects that adoption of the remaining amendments will not affect its financial statements in the period of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1** The significant accounting policies and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the audited annual unconsolidated financial statements of the Bank for the year ended December 31, 2018 except for the followings:

4.1.1 Change in accounting policies

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases- Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the Standard.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019



On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were measured as the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate of 12.49% as of January 1, 2019. The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the unconsolidated statement of financial position immediately before the date of initial application.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The change in accounting policy affected the following items in the statement of financial position as on January 01, 2019:

- Right-of-Use (RoU) assets recognized as Fixed assets – increased by Rs 5,500.910 million which includes prepayments of Rs. 188.598 million; previously, included in advances, deposits, advance rent and other prepayments at December 31, 2018.

- Lease liabilities recognized as Other liabilities – increased by Rs 5,312.312 million

- The impact on profit and loss account for the period January 1, 2019 to June 30, 2019 was a decrease in profit after tax by Rs. 148.925 million and earning per share by Rs. 0.126.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2018.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2018.

7. CASH AND BALANCES WITH TREASURY BANKS

In hand
Local currency
Foreign currencies

	Unaudited June 30, 2019	Audited December 31, 2018
	-----Rupees in '000-----	
	18,170,211	16,462,132
	3,530,042	2,529,716
	21,700,253	18,991,848
With State Bank of Pakistan in		
Local currency current accounts	58,814,460	40,305,992
Foreign currency current accounts	273,857	279,023
Foreign currency deposit accounts	15,180,558	12,621,991
	74,268,875	53,207,006
With other central banks in		
Foreign currency current accounts	7,501,274	5,197,681
With National Bank of Pakistan in		
Local currency current accounts	25,868,320	25,657,815
Prize bonds	7,591,550	120,247
	136,930,272	103,174,597

8. BALANCES WITH OTHER BANKS

Outside Pakistan
In current accounts
In deposit accounts

	9,645,572	9,232,223
	5,875,906	2,646,752
	15,521,478	11,878,975

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings
Repurchase agreement lendings (Reverse Repo)

	2,202,132	2,069,329
	2,104,999	33,036,912
	4,307,131	35,106,241

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019



	Audited December 31, 2018				Unaudited June 30, 2019			
	Carrying Value	Surplus / (Deficit)	Provision for diminution	Cost / Amortised cost	Carrying Value	Surplus / (Deficit)	Provision for diminution	Cost / Amortised cost
	-----Rupees in '000-----							
Held-for-trading securities	9,345,554	(2,599)	-	9,348,153	6,037,627	(7,342)	-	6,044,969
Federal Government Securities	18,675	126	-	18,549	14,346	(1,895)	-	16,241
Shares	9,364,229	(2,473)	-	9,366,702	6,051,973	(9,237)	-	6,061,210
Available-for-sale securities	670,930,316	(3,990,667)	-	674,920,983	718,844,430	(5,002,223)	-	723,846,653
Federal Government Securities	18,490,018	(236,174)	-	26,098,138	17,146,777	(1,069,224)	-	27,187,973
Shares and units	1,096,332	36	(7,371,946)	1,096,296	1,353,624	(1,047)	(8,971,972)	27,187,973
Non Government Debt Securities	2,528,659	(16,492)	-	2,545,151	3,687,874	20,599	-	3,647,275
Foreign Securities	693,045,325	(4,243,297)	(7,371,946)	704,660,568	741,012,705	(6,051,895)	(8,971,972)	756,036,572
Held-to-maturity securities	20,698,034	-	(1,675)	20,699,709	20,124,762	-	(2,425)	20,127,177
Federal Government Securities	-	-	(118)	118	-	-	(118)	118
Provincial Government Securities	7,705,186	-	(490,924)	8,196,110	9,419,428	-	(460,960)	9,880,388
Non Government Debt Securities	5,809,776	-	-	5,809,776	4,154,885	-	-	4,154,885
Foreign Securities	34,212,996	-	(492,717)	34,705,713	33,699,065	-	(463,503)	34,162,568
Associates	700,401	-	-	700,401	700,401	-	-	700,401
Subsidiaries	12,045,787	-	(725)	12,046,512	12,045,787	-	(725)	12,046,512
Total Investments	749,368,738	(4,245,770)	(7,865,388)	761,479,896	793,509,931	(6,061,132)	(9,436,200)	809,007,263

10.1.1 Investments given as collateral

- Market Treasury Bills
- Pakistan Investment Bonds

10.2 Provision for diminution in value of investments

10.2.1 Opening balance
Exchange adjustments
Charge / (reversals)
Reversals for the period / year
Reversals for the period / year
Reversal on disposals

Amounts written off
Closing Balance

10.2.2 Particulars of provision against debt securities

Category of classification

Domestic
Loss

10.2.3 In addition to the above, overseas branches hold a general provision of Rs 2,425 million (December 31, 2018: Rs 1,675 million) in accordance with the requirements of IFRS 9.

10.3 The market value of securities classified as held-to-maturity as at June 30, 2019 amounted to Rs. 32,424,191 million (December 31, 2018: Rs. 32,921,417 million).

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019

	Performing		Non Performing		Total	
	Unaudited June 30, 2019	Audited December 31, 2018	Unaudited June 30, 2019	Audited December 31, 2018	Unaudited June 30, 2019	Audited December 31, 2018
Loans, cash credits, running finances, etc.	491,146,783	479,948,340	47,382,197	47,976,277	538,528,980	527,924,617
Bills discounted and purchased	17,769,099	17,887,661	768,296	979,271	18,537,395	18,866,932
Advances - gross	508,915,882	497,836,001	48,150,493	48,955,548	557,066,375	546,791,549
Provision against advances						
- Specific	(1,362,219)	(1,266,717)	(41,560,868)	(41,943,509)	(41,560,868)	(41,943,509)
- General	(1,362,219)	(1,266,717)	(41,560,868)	(41,943,509)	(42,923,087)	(43,210,226)
Advances - net of provision	507,553,663	496,569,284	6,589,625	7,012,039	514,143,288	503,581,323

Particulars of advances (Gross)		Rupees in '000	
In local currency	In foreign currencies	Unaudited June 30, 2019	Audited December 31, 2018
Advances include Rs. 48,150,493 million (2018: Rs. 48,955,548 million) which have been placed under the non-performing status as detailed below:			
		503,508,216	502,170,129
		53,558,159	44,621,420
		557,066,375	546,791,549

Category of Classification		Rupees in '000	
Category of Classification	Note	Unaudited June 30, 2019	Audited December 31, 2018
Domestic			
Other Assets Especially Mentioned	11.2.1	91,940	5,482
Substandard		214,878	53,202
Doubtful		894,636	446,950
Loss		38,287,215	37,481,855
Overseas		39,488,669	37,987,489
Not past due but impaired		75,107	74,563
Overdue by:			
Upto 90 days		13,507	3,377
91 to 180 days		52,406	20,321
181 to 365 days		604,593	527,680
> 365 days		7,916,211	2,947,438
Total		8,661,824	3,573,379
		48,150,493	41,560,868

11.2.1 This represents non-performing portfolio of agricultural and small enterprise financing classified as OAE as per the requirements of the Prudential Regulation for Agricultural and Small Enterprise Financing issued by the State Bank of Pakistan.

11.2.2 Exposure amounting to Rs 14,591,978 million (December 31, 2018: Rs Nil) relating to Power Holding (Private) Limited has not been classified as non-performing in accordance with a relaxation given by the SBP. The exposure is fully guaranteed by the GoP and does not require any provision.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019

11.3 Particulars of provision against advances

	Unaudited June 30, 2019			Audited December 31, 2018		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	41,943,509	1,266,717	43,210,226	44,586,915	1,115,091	45,702,006
Exchange adjustments	395,020	29,989	425,009	513,168	18,341	531,509
Charge for the period / year	1,759,159	72,626	1,831,785	1,613,562	133,330	1,746,892
Reversals	(2,525,918)	(7,113)	(2,533,031)	(4,618,549)	(45)	(4,618,594)
	(766,759)	65,513	(701,246)	(3,004,987)	133,285	(2,871,702)
Amounts written off	(10,902)	-	(10,902)	(151,587)	-	(151,587)
Closing balance	41,560,868	1,362,219	42,923,087	41,943,509	1,266,717	43,210,226

11.3.1 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.

11.3.2 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 unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. 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. General provision against all other advances represents provision maintained at around 0.1% of gross advances.

12.

FIXED ASSETS

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		Rupees in '000	
Capital work-in-progress	12.1	1,448,252	1,239,422
Property and equipment	12.2	46,040,700	39,572,534
		47,488,952	40,811,956
Capital work-in-progress			
Civil works		937,278	719,229
Equipment		183,137	295,662
Advances to suppliers		308,476	468,508
Others		19,361	30,272
		1,448,252	1,513,671

12.2 This includes right-of-use assets amounting to Rs.4,907.063 million due to adoption of IFRS 16 as detailed in note 4.1.1.

12.3 Additions to fixed assets

The following additions have been made to fixed assets during the period:

	Unaudited June 30, 2019	Unaudited June 30, 2018
	Rupees in '000	
Capital work-in-progress	208,830	596,716
Property and equipment		
Freehold land	708,245	465,145
Building on freehold land	1,002,557	119,589
Electrical office and computer equipment	491,681	785,832
Furniture and fixture	97,233	90,488
Leasehold Improvements	122,848	70,945
Vehicles	76,484	67,632
	2,499,048	1,599,631
Total	2,707,878	2,196,347



12.4 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

	Unaudited June 30, 2019	Unaudited June 30, 2018
	-----Rupees in '000-----	
Freehold land	21,000	-
Vehicles	28,910	11,691
Furniture and fixture	572	553
Electrical office and computer equipment	343	430
Leasehold Improvements	283	-
Total	51,108	12,674

Note

13. INTANGIBLE ASSETS

Capital work-in-progress
Computer software

13.1

	Unaudited June 30, 2019	Audited December 31, 2018
	-----Rupees in '000-----	
Capital work-in-progress	231,851	257,805
Computer software	395,536	372,336
	627,387	630,141
	Unaudited June 30, 2019	Unaudited June 30, 2018
	-----Rupees in '000-----	
	148,681	178,163
	148,681	178,163

Note

13.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:
Directly purchased

14. OTHER ASSETS

Income/ mark-up accrued in local currency	15,413,245	11,232,274
Income/ mark-up accrued in foreign currencies	129,242	128,921
Advances, deposits, advance rent and other prepayments	3,092,279	2,340,059
Advance taxation (payments less provisions)	321,127	7,354,020
Compensation for delayed income tax refunds	133,809	133,809
Non-banking assets acquired in satisfaction of claims	3,654,161	3,653,840
Branch adjustment account	202,531	146,299
Mark to market gain on forward foreign exchange contracts	11,413,831	3,520,808
Unrealized gain on derivative financial instruments	1,420,350	852,465
Acceptances	15,570,352	15,847,453
Receivable from the pension fund	3,151,571	3,815,170
Others	8,510,045	6,622,685
	63,012,543	55,647,803
Less: Provision held against other assets	2,623,842	2,550,584
Other Assets (net of provision)	60,388,701	53,097,219
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	480,871	480,871
Other Assets - total	60,869,572	53,578,090

14.1



14.1 Provision held against other assets

Non banking assets acquired in satisfaction of claims
Others

14.2.1 Movement in provision held against other assets

Opening balance

Charge for the period / year

Reversals

Amounts written off

Exchange and other adjustments

Closing balance

	Unaudited June 30, 2019	Audited December 31, 2018
	-----Rupees in '000-----	
Non banking assets acquired in satisfaction of claims	99,597	99,597
Others	2,524,245	2,450,987
	2,623,842	2,550,584
Opening balance	2,550,584	3,016,792
Charge for the period / year	1,151	112,529
Reversals	(30,295)	(721,119)
	(29,144)	(608,590)
Amounts written off	(3,591)	(7,180)
Exchange and other adjustments	105,993	149,562
Closing balance	2,623,842	2,550,584

15. CONTINGENT ASSETS

There were no contingent assets of the Bank as at June 30, 2019 (2018: NIL).

16. BILLS PAYABLE

In Pakistan

Outside Pakistan

	Unaudited June 30, 2019	Audited December 31, 2018
	-----Rupees in '000-----	
In Pakistan	10,261,734	15,644,752
Outside Pakistan	251,960	54,528
	10,513,694	15,699,280

17. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Under export refinance scheme

Under long term financing facility

Under renewable energy performance platform

Under financing facility for storage of agricultural produce

Repurchase agreement borrowings

Total secured

Unsecured

Borrowings from other financial institution

Call borrowings

Overdrawn nostro accounts

Others

Total unsecured

	Unaudited June 30, 2019	Audited December 31, 2018
Borrowings from State Bank of Pakistan		
Under export refinance scheme	28,624,352	27,443,517
Under long term financing facility	16,815,709	14,628,994
Under renewable energy performance platform	92,290	28,420
Under financing facility for storage of agricultural produce	119,686	165,267
	45,652,037	42,266,198
Repurchase agreement borrowings	129,640,088	165,703,249
Total secured	175,292,125	207,969,447
Borrowings from other financial institution	1,073,552	556,939
Call borrowings	6,181,917	5,458,050
Overdrawn nostro accounts	1,272,285	1,872,164
Others	162,286	162,286
Total unsecured	8,690,040	8,049,439
	183,982,165	216,018,886

18. DEPOSITS AND OTHER ACCOUNTS

	Unaudited June 30, 2019			Audited December 31, 2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000-----						
Customers						
Current deposits	353,543,909	41,323,482	394,867,391	325,800,150	34,643,583	360,443,733
Savings deposits	547,377,934	48,085,036	595,462,970	502,660,835	39,470,374	542,131,209
Term deposits	80,849,184	17,196,456	98,045,640	73,140,915	13,877,453	87,018,368
Others	27,505,668	3,089,227	30,594,895	27,009,821	4,340,402	31,350,223
	1,009,276,695	109,694,201	1,118,970,896	928,611,721	92,331,812	1,020,943,533
Financial Institutions						
Current deposits	10,349,406	1,511,824	11,861,230	7,560,308	2,267,492	9,827,800
Savings deposits	9,221,171	11,233	9,232,404	10,762,643	20,548	10,783,191
Term deposits	979,000	7,415,578	8,394,578	661,580	6,544,203	7,205,783
Others	-	172,040	172,040	-	277,308	277,308
	20,549,577	9,110,675	29,660,252	18,984,531	9,109,551	28,094,082
	1,029,826,272	118,804,876	1,148,631,148	947,596,252	101,441,363	1,049,037,615

19. SUBORDINATED DEBT

	Note	Unaudited June 30, 2019	Audited December 31, 2018
-----Rupees in '000-----			
Term Finance Certificates - Listed, Unsecured	19.1	-	3,891,019
Issue amount		Rs. 4,198.035 million	
Issue date		June 19, 2014	
Maturity date		June 19, 2022	
Rating		AAA (triple A)	
Security		The TFCs are unsecured and subordinated to all other indebtedness of the Bank including deposits	
Profit payment frequency		Semi-Annually	
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.	
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"))	
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".	

19.1 During the year, the Bank has exercised the call option under the terms of issuance of TFCs after completing the required regulatory requirements. Accordingly the outstanding balance of the said TFCs have been redeemed on June 19, 2019, being the option exercise date.

20. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on

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

Deductible Temporary Differences on

- Provision against advances
- Surplus/deficit on revaluation of investments

21. OTHER LIABILITIES

Note	Unaudited June 30, 2019	Audited December 31, 2018
-----Rupees in '000-----		
Mark-up/ return/ interest payable in local currency	17,323,100	12,775,306
Mark-up/ return/ interest payable in foreign currencies	482,998	468,339
Unearned commission and income on bills discounted	218,798	201,151
Accrued expenses	4,477,463	5,022,283
Workers' welfare fund	7,436,631	7,071,660
Acceptances	15,570,352	15,847,453
Unclaimed / dividends payable	1,556,794	1,470,406
Mark to market loss on forward foreign exchange contracts	10,142,774	3,495,971
Unrealised loss on derivative financial instruments	1,440,108	863,617
Staff welfare fund	4,846	5,490
Provision for employees' compensated absences	989,266	1,028,129
Provision for post retirement medical benefits	1,745,070	1,730,409
Provision for employees' contributory benevolent scheme	197,643	214,252
Retention money	20,657	20,657
Insurance payable against consumer assets	727,572	688,107
Unclaimed balances	992,748	1,133,843
Duties and taxes payable	577,135	577,222
Provision against off-balance sheet obligations	37,430	37,430
Security deposits against lease	485,199	479,428
Lease liability against right of use assets	4,977,749	-
Others	9,667,273	9,542,202
	79,071,606	62,673,355

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For the half year ended June 30, 2019



21.1 Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Bank maintained its provision in respect of WWF.

22. RESERVES

	Note	Unaudited June 30, 2019	Audited December 31, 2018
-----Rupees in '000-----			
Share premium		23,751,114	23,751,114
Non- distributable capital reserve - gain on bargain purchase option	22.1	908,317	908,317
Exchange translation reserve		3,246,950	1,629,543
Statutory reserve	22.2	30,326,506	29,259,007
General reserve		18,600,000	18,600,000
		<u>76,832,887</u>	<u>74,147,981</u>

22.1 Under IFRS-3 a bargain purchase represents an economic gain which should be immediately recognized by the acquirer as income. However, the amount of bargain purchase gain was not been taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 recommended that the amount of gain may be routed directly into equity as a Non-distributable Capital Reserve (NCR). The NCR may become available for distribution through a stock dividend only with prior approval of the SBP. The Bank, before distribution of the gain as a stock dividend, may adjust any subsequent provisions/deficit, assessed by the Bank or recommended by the Banking Inspection Department of SBP, in the acquired assets and liabilities of NIB Bank Limited against the NCR.

22.2 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

23. SURPLUS ON REVALUATION OF ASSETS

	Note	Unaudited June 30, 2019	Audited December 31, 2018
-----Rupees in '000-----			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	(6,051,895)	(4,243,297)
- Fixed Assets		13,133,713	13,185,366
- Non-banking assets acquired in satisfaction of claims		480,871	480,871
		<u>7,562,689</u>	<u>9,422,940</u>
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		(2,118,163)	(1,485,153)
- Fixed Assets		978,245	992,684
- Non-banking assets acquired in satisfaction of claims		168,305	168,305
		<u>(971,613)</u>	<u>(324,164)</u>
		<u>8,534,302</u>	<u>9,747,104</u>

24. CONTINGENCIES AND COMMITMENTS

-Guarantees	24.1	180,180,650	170,138,859
-Commitments	24.2	444,211,133	397,683,110
-Other contingent liabilities	24.3	25,074,923	16,612,336
		<u>649,466,706</u>	<u>584,434,305</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019



24.1 Guarantees:

Financial guarantees
Performance guarantees
Other guarantees

24.2 Commitments:

Documentary credits and short-term trade-related transactions
- letters of credit

Commitments in respect of:

- forward foreign exchange contracts
- forward government securities transactions
- derivatives
- operating leases

Commitments for acquisition of:

- operating fixed assets
- intangible assets

24.2.1 Commitments in respect of forward foreign exchange contracts

Purchase
Sale

24.2.2 Commitments in respect of forward government securities transactions

Purchase
Sale

24.2.3 Commitments in respect of derivatives

FX options (notional)

Purchase
Sale

Cross Currency Swaps (notional)

Purchase
Sale

Interest Rate Swaps (notional)

Purchase

Note

Unaudited
June 30,
2019
Audited
December 31,
2018
-----Rupees in '000-----

149,203,023	140,350,012
29,403,977	29,003,435
1,573,650	785,412
180,180,650	170,138,859
139,941,470	132,940,176
287,192,655	216,768,127
4,645,531	27,935,661
10,809,236	11,285,103
-	7,223,152
1,486,616	1,420,585
135,625	110,306
444,211,133	397,683,110
161,204,609	125,528,129
125,988,046	91,239,998
287,192,655	216,768,127
4,645,531	13,660,947
-	14,274,714
4,645,531	27,935,661
116,686	1,378,370
116,686	1,378,370
233,372	2,756,740
5,076,764	4,026,814
5,182,600	4,185,049
10,259,364	8,211,863
316,500	316,500
10,809,236	11,285,103

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019



	Unaudited June 30 2019	Audited December 31, 2018
	-----Rupees in '000-----	
24.2.4 Commitments in respect of operating leases		
Not later than one year	-	1,211,422
Later than one year and not later than five years	-	3,754,916
Later than five years	-	2,256,814
	-	7,223,152

24.2.5 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.

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		-----Rupees in '000-----	
24.3 Other contingent liabilities			
Claims against the Bank not acknowledged as debts	24.3.1	25,074,923	16,612,336

24.3.1 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.

24.4 Taxation

For assessment year 1988-89 through tax year 2018, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 1,549 million (2018 : Rs. 1,399 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.

25. DERIVATIVE INSTRUMENTS

Unaudited June 30, 2019						
Cross Currency Swaps		Interest Rate Swaps		FX Options		
Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss	
-----Rupees in '000-----						
Total						
Hedging	5,076,764	1,402,186	316,500	13,494	116,686	4,670
Market Making	5,182,600	(1,435,438)	-	-	116,686	(4,670)
Audited December 31, 2018						
-----Rupees in '000-----						
Total						
Hedging	4,026,814	725,117	316,500	14,771	1,378,370	48,090
Market Making	4,185,049	(751,040)	-	-	1,378,370	(48,090)

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019



	Note	Half year ended June 30, 2019	Half year ended June 30, 2018
		-----Rupees in '000-----	
26. MARK-UP/RETURN/INTEREST EARNED			
Loans and advances		26,608,927	16,363,840
Investments		28,738,340	20,846,289
Lendings to financial institutions		3,534,613	408,302
Balances with banks		250,862	96,448
		59,132,742	37,714,879
27. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		27,049,029	12,939,575
Borrowings		2,676,136	1,728,097
Subordinated debt		213,604	143,091
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,092,168	285,665
Unwinding cost of liability against right-of-use assets		302,045	-
		31,332,982	15,096,428
28. FEE & COMMISSION INCOME			
Branch banking customer fees		943,429	1,242,050
Consumer finance related fees		153,475	121,699
Card related fees (debit and credit cards)		1,410,047	1,219,862
Credit related fees		108,557	118,966
Investment banking fee		85,381	27,477
Commission on trade		732,257	756,797
Commission on guarantees		325,513	221,646
Commission on cash management		334,914	308,117
Commission on remittances including home remittances		565,634	480,010
Commission income - Bancassurance		647,898	590,852
Rent on lockers		120,378	117,716
Commission on utility bills		49,115	49,697
Commission on investments services		25,349	20,157
Other Commission		64,495	74,682
		5,566,442	5,349,728
29. GAIN ON SECURITIES, NET			
Realised	29.1	(108,548)	1,167,244
Unrealised - held for trading	10.1	(9,237)	(25,591)
		(117,785)	1,141,653
29.1 Realised gain on:			
Federal Government Securities		15,976	113,488
Shares		(124,524)	1,053,756
		(108,548)	1,167,244
30. OTHER INCOME			
Rent on property		40,024	19,430
Gain on sale of fixed assets-net		36,641	67,079
Compensation on delayed tax refunds		-	86,862
		76,665	173,371

	Note	Half year ended June 30, 2019	Half year ended June 30, 2018
		-----Rupees in '000-----	
31. OPERATING EXPENSES			
Total compensation expense	31.1	7,247,160	8,372,640
Property expense			
Rent and taxes		185,941	1,039,878
Insurance		10,590	13,112
Utilities cost		487,096	451,288
Fuel expense generators		264,488	243,326
Security (including guards)		762,888	817,213
Repair and maintenance (including janitorial charges)		456,680	415,342
Depreciation on right-of-use assets		593,847	-
Depreciation		236,417	216,539
		2,997,947	3,196,698
Information technology expenses			
Software maintenance		432,808	350,243
Hardware maintenance		183,424	196,017
Depreciation		224,357	293,386
Amortisation		128,980	127,725
Network charges		281,059	292,874
Insurance		1,566	2,231
		1,252,194	1,262,476
Other operating expenses			
Directors' fees and allowances		23,347	17,326
Legal and professional charges		177,888	158,609
Outsourced services costs		338,789	635,549
Travelling and conveyance		151,279	149,974
NIFT clearing charges		72,992	78,554
Depreciation		469,823	503,227
Depreciation on non-banking assets acquired in satisfaction of claims		24,124	24,895
Training and development		21,269	30,268
Postage and courier charges		143,410	149,763
Communication		174,825	163,998
Stationery and printing		358,820	338,534
Marketing, advertisement & publicity		402,043	350,002
Donations		-	696
Auditors' remuneration		14,406	18,001
Cash transportation charges		367,222	377,485
Repair and maintenance		398,490	376,807
Subscription		4,239	4,273
Entertainment		113,825	120,441
Remittance charges		103,543	86,932
Brokerage expenses		14,970	10,809
Card related expenses		444,920	357,195
CNIC verification charges		112,886	72,256
Insurance		716,257	129,826
Others		132,371	128,927
		4,781,738	4,284,347
		16,279,039	17,116,161

31.1 Comparative numbers include pension cost amounting to Rs. 1,903.117 million on account of increase in pension by the by the Honourable Supreme Court.

	Note	Half year ended June 30, 2019	Half year ended June 30, 2018
		-----Rupees in '000-----	
32. OTHER CHARGES			
Penalties of State Bank of Pakistan		15,252	5,029
VAT & National Building tax & Crop Insurance Levy		91,603	69,708
		106,855	74,737
33. PROVISIONS / (REVERSALS) & WRITE OFFS - NET			
(Reversals) / provisions against balance with Banks		(507)	4,173
Provisions / (reversals) for diminution in value of investments	10.2.1	1,570,509	(220,207)
Reversals against loans & advances	11.3	(701,246)	(1,426,630)
Reversals against other assets	14.2.1	(29,144)	(699,697)
Recovery of written off / charged off bad debts		(79,948)	(119,831)
Bad debts written off directly		-	23
		759,664	(2,462,169)
34. TAXATION			
Current		6,892,716	5,658,154
Prior years		450,438	-
Deferred	20	230,427	578,512
		7,573,581	6,236,666
35. BASIC AND DILUTED EARNINGS PER SHARE			
		-----Rupees in '000-----	
Profit after tax		10,674,994	9,763,116
		-----Number-----	
Weighted average number of ordinary shares		1,185,060,006	1,185,060,006
		-----Rupees-----	
Basic and diluted earnings per share		9.01	8.24

36. FAIR VALUE MEASUREMENTS

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 financial assets and financial liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

36.1 Fair value of financial assets

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).

Valuation techniques used in determination of fair valuation of financial instruments within level 2

Item	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined using the PKRV rates.
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) & NBA	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.

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 Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options, Cross Currency Swaps, Interest Rate Swaps and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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.

	Unaudited June 30, 2019				
	Carrying value	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	724,882,057	-	724,882,057	-	724,882,057
Shares	15,769,098	15,769,098	-	-	15,769,098
Non-Government Debt Securities	1,353,624	-	1,353,624	-	1,353,624
Foreign Securities	3,661,370	-	3,661,370	-	3,661,370
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares, subsidiaries and associates)	47,843,782	-	-	-	-
Cash and balances with treasury banks	136,930,272	-	-	-	-
Balances with other banks	15,521,478	-	-	-	-
Lendings to financial institutions	4,307,131	-	-	-	-
Advances	514,143,288	-	-	-	-
Other assets	49,932,820	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	35,224,460	-	35,224,460	-	35,224,460
Non-banking assets	4,135,032	-	4,135,032	-	4,135,032
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	161,204,609	-	10,678,683	-	10,678,683
Forward sale of foreign exchange	125,988,046	-	9,407,626	-	9,407,626
Derivatives purchase	5,509,950	-	1,420,350	-	1,420,350
Derivatives sale	5,299,286	-	1,440,108	-	1,440,108

	Audited December 31, 2018				
	Carrying value	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	680,275,870	-	680,275,870	-	680,275,870
Shares	17,105,168	17,105,168	-	-	17,105,168
Non-Government Debt Securities	1,096,332	-	1,096,332	-	1,096,332
Foreign Securities	2,522,454	-	2,522,454	-	2,522,454
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares,	48,368,914	-	-	-	-
Cash and balances with treasury banks	103,174,597	-	-	-	-
Balances with other banks	11,878,975	-	-	-	-
Lendings to financial institutions	35,106,241	-	-	-	-
Advances	503,581,323	-	-	-	-
Other assets	35,753,619	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	33,715,777	-	33,715,777	-	33,715,777
Non-banking assets	4,035,114	-	4,035,114	-	4,035,114
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	125,528,129	-	3,477,211	-	3,477,211
Forward sale of foreign exchange	91,239,998	-	3,452,374	-	3,452,374
Derivatives purchase	5,721,684	-	787,978	-	787,978
Derivatives sale	5,563,419	-	799,130	-	799,130



37. SEGMENT INFORMATION

37.1 Segment details with respect to business activities

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

Half year ended June 30, 2019							
Retail Banking	Consumer Banking	Corporate Banking	Treasury	others	Sub-total	Eliminations	Total
Rupees in '000							
Profit & Loss							
Net mark-up/return/profit	(19,538,108)	1,856,388	17,064,525	28,416,955	-	27,799,760	27,799,760
Inter segment revenue - net	40,337,346	(1,127,219)	(14,056,787)	(29,962,383)	4,809,043	-	-
Non mark-up / return / interest income	3,078,903	965,557	2,223,753	1,399,508	291,623	7,959,344	7,959,344
Total Income	23,878,141	1,694,726	5,231,491	(145,920)	5,100,666	35,759,104	35,759,104
Segment direct expenses	11,005,975	677,706	944,187	166,930	3,956,067	16,750,865	16,750,865
Inter segment expense allocation	-	-	-	-	-	-	-
Total expenses	11,005,975	677,706	944,187	166,930	3,956,067	16,750,865	16,750,865
Provisions	(78,764)	(27,876)	(437,665)	1,600,028	(296,059)	759,664	759,664
Profit before tax	12,950,930	1,044,896	4,724,969	(1,912,878)	1,440,658	18,248,575	18,248,575
Balance Sheet							
Cash & Bank balances	63,665,547	45,941	21,707,666	65,583,941	1,448,655	152,451,750	152,451,750
Investments	-	-	19,884,290	773,625,641	-	793,509,931	793,509,931
Net inter segment lending	923,838,560	-	-	-	137,199,597	1,061,038,157	(1,061,038,157)
Lendings to financial institutions	-	-	137,879	4,169,252	-	4,307,131	4,307,131
Advances - performing	111,193,769	25,150,547	371,209,347	-	507,553,663	-	507,553,663
- non performing	1,201,350	48,590	5,088,445	-	251,240	6,589,625	6,589,625
Others	48,836,989	1,818,151	22,507,342	7,865,536	27,957,893	108,985,911	108,985,911
Total Assets	1,148,736,215	27,063,229	440,534,969	851,244,370	166,857,385	2,634,436,168	(1,061,038,157) 1,573,398,011
Borrowings	39,337,193	-	10,193,676	134,451,296	-	183,982,165	183,982,165
Subordinated debt	-	-	-	-	-	-	-
Deposits & other accounts	1,057,971,088	107,257	90,526,704	-	26,099	1,148,631,148	1,148,631,148
Net inter segment borrowing	-	24,862,817	321,379,600	714,795,740	-	1,061,038,157	(1,061,038,157)
Others	51,427,934	2,093,155	18,434,989	1,997,334	16,451,418	90,404,830	90,404,830
Total liabilities	1,148,736,215	27,063,229	440,534,969	851,244,370	16,477,517	2,484,056,300	(1,061,038,157) 1,423,018,143
Equity	-	-	-	-	150,379,868	150,379,868	150,379,868
Total Equity & liabilities	1,148,736,215	27,063,229	440,534,969	851,244,370	166,857,385	2,634,436,168	(1,061,038,157) 1,573,398,011
Contingencies & Commitments	105,261,263	-	221,977,332	295,319,909	26,908,182	-	649,466,706
Half year ended June 30, 2018							
Retail Banking	Consumer banking	Corporate Banking	Treasury	others	Sub-total	Eliminations	Total
Rupees in '000							
Profit & Loss							
Net mark-up/return/profit	(7,371,864)	1,096,281	9,552,509	19,341,525	-	22,618,451	22,618,451
Inter segment revenue - net	21,427,256	(285,144)	(6,955,080)	(16,483,792)	2,296,760	-	-
Non mark-up / return / interest income	3,467,674	830,615	1,934,266	2,280,522	(83,021)	8,430,056	8,430,056
Total Income	17,523,066	1,641,752	4,531,695	5,138,255	2,213,739	31,048,507	31,048,507
Segment direct expenses	10,803,209	706,640	818,616	156,502	5,025,927	17,510,894	17,510,894
Inter segment expense allocation	-	-	-	-	-	-	-
Total expenses	10,803,209	706,640	818,616	156,502	5,025,927	17,510,894	17,510,894
Provisions	(296,632)	(61,604)	(1,287,856)	(760,953)	(55,124)	(2,462,169)	(2,462,169)
Profit before tax	7,016,489	996,716	5,000,935	5,742,706	(2,757,064)	15,999,782	15,999,782
Balance Sheet							
Cash & Bank balances	49,001,673	33,515	17,486,827	46,395,674	2,135,883	115,053,572	115,053,572
Investments	-	-	18,505,331	730,863,407	-	749,368,738	749,368,738
Net inter segment lending	838,293,767	-	-	-	134,110,278	972,404,045	(972,404,045)
Lendings to financial institutions	-	-	1,502,544	33,603,697	-	35,106,241	35,106,241
Advances - performing	121,784,772	22,525,967	352,258,545	-	-	496,569,284	496,569,284
- non performing	1,214,697	39,757	5,728,381	-	29,204	7,012,039	7,012,039
Others	31,327,269	1,887,934	18,828,346	8,127,064	34,849,574	95,020,187	95,020,187
Total Assets	1,041,622,178	24,487,173	414,309,974	818,989,842	171,124,939	2,470,534,106	(972,404,045) 1,498,130,061
Borrowings	35,293,396	-	9,172,202	171,553,288	-	216,018,886	216,018,886
Subordinated debt	-	-	-	-	3,891,019	-	3,891,019
Deposits & other accounts	969,799,371	16,556	79,196,248	-	25,440	1,049,037,615	1,049,037,615
Net inter segment borrowing	-	22,478,042	307,402,415	642,523,588	-	972,404,045	(972,404,045)
Others	36,529,411	1,992,575	18,539,109	4,912,956	17,930,751	79,904,812	79,904,812
Total liabilities	1,041,622,178	24,487,173	414,309,974	818,989,842	21,847,210	2,321,256,377	(972,404,045) 1,348,852,332
Equity	-	-	-	-	149,277,729	149,277,729	149,277,729
Total Equity & liabilities	1,041,622,178	24,487,173	414,309,974	818,989,842	171,124,939	2,470,534,106	(972,404,045) 1,498,130,061
Contingencies & Commitments	114,095,804	-	204,311,803	247,754,264	18,272,434	584,434,305	584,434,305
Audited December 31, 2018							
Cash & Bank balances	49,001,673	33,515	17,486,827	46,395,674	2,135,883	115,053,572	115,053,572
Investments	-	-	18,505,331	730,863,407	-	749,368,738	749,368,738
Net inter segment lending	838,293,767	-	-	-	134,110,278	972,404,045	(972,404,045)
Lendings to financial institutions	-	-	1,502,544	33,603,697	-	35,106,241	35,106,241
Advances - performing	121,784,772	22,525,967	352,258,545	-	-	496,569,284	496,569,284
- non performing	1,214,697	39,757	5,728,381	-	29,204	7,012,039	7,012,039
Others	31,327,269	1,887,934	18,828,346	8,127,064	34,849,574	95,020,187	95,020,187
Total Assets	1,041,622,178	24,487,173	414,309,974	818,989,842	171,124,939	2,470,534,106	(972,404,045) 1,498,130,061
Borrowings	35,293,396	-	9,172,202	171,553,288	-	216,018,886	216,018,886
Subordinated debt	-	-	-	-	3,891,019	-	3,891,019
Deposits & other accounts	969,799,371	16,556	79,196,248	-	25,440	1,049,037,615	1,049,037,615
Net inter segment borrowing	-	22,478,042	307,402,415	642,523,588	-	972,404,045	(972,404,045)
Others	36,529,411	1,992,575	18,539,109	4,912,956	17,930,751	79,904,812	79,904,812
Total liabilities	1,041,622,178	24,487,173	414,309,974	818,989,842	21,847,210	2,321,256,377	(972,404,045) 1,348,852,332
Equity	-	-	-	-	149,277,729	149,277,729	149,277,729
Total Equity & liabilities	1,041,622,178	24,487,173	414,309,974	818,989,842	171,124,939	2,470,534,106	(972,404,045) 1,498,130,061
Contingencies & Commitments	114,095,804	-	204,311,803	247,754,264	18,272,434	584,434,305	584,434,305

37.2 Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include inter segment balances. Costs which are not allocated to segments are included in the Head office. Income taxes are managed at bank level and are not allocated to operating segments.



The Bank has related party relationship with its subsidiaries, associates, employee benefit plans, its directors and key management personnel and their close family members.
The Bank's enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. 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 during the period, other than those which have been disclosed elsewhere in these unconsolidated condensed interim financial statements are as follows:

	Unaudited June 30, 2019				Audited December 31, 2018			
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries
(Rupees in '000)								
Balances with other banks								
In current accounts	-	-	-	-	20,933	-	-	-
	-	-	-	-	20,933	-	-	-
Lendings to Financial Institutions								
Opening balance	-	-	631,351	-	-	-	-	-
Addition during the period/ year	-	-	21,474,496	-	-	-	-	-
Repaid during the period/ year	-	-	(19,903,715)	-	-	-	-	-
Closing balance	-	-	2,202,132	-	-	-	-	-
Investments								
Opening balance	-	-	12,046,512	700,401	254,253	-	-	254,253
Investment made during the period/ year	-	-	-	-	-	-	-	-
Investment disposed off during the period/ year	-	-	-	-	-	-	-	-
Closing balance	-	-	12,046,512	700,401	254,253	-	-	254,253
Provision for diminution in value of investments	-	-	725	-	5,000	-	-	5,000
Advances								
Opening balance	658	141,390	366,872	-	1,050,277	946	84,167	293,837
Repayment / exchange adjustment during the period/ year	18,358	16,451	55,985	-	1,624,254	14,723	73,571	73,035
Repaid during the period/ year	(14,868)	(26,209)	-	-	(1,392,964)	(15,011)	(39,288)	-
Transfer in / (out)	-	(5,109)	-	-	(794,018)	-	22,940	(557,079)
Closing balance	4,148	126,523	422,857	-	487,549	658	141,390	366,872
Provision held against advances	-	-	-	-	-	-	-	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019



	Unaudited June 30, 2019					Audited December 31, 2018				
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
(Rupees in '000)										
Other Assets										
Markup receivable	-	3,807	63,388	-	4,670	-	3,101	16,725	-	25,538
Advances, deposits, advance rent and other prepayments	-	-	6,197	32,430	31,943	-	-	8,820	86,579	30,620
Acceptances	-	-	596,433	-	76,092	-	-	-	-	25,387
Receivable from Pension Fund	-	-	-	-	3,151,571	-	-	-	-	3,815,170
Provision held against other assets	-	-	-	-	-	-	-	-	-	-
Borrowings										
Opening balance	-	-	19,146	-	-	-	-	39,993	-	993,755
Borrowings / exchange adjustment during the period/ year	-	-	248,703	-	73,475	-	-	92,529	-	-
Sold during the period/ year	-	-	(265,219)	-	-	-	-	(113,377)	-	(993,755)
Closing balance	-	-	2,630	-	73,475	-	-	19,146	-	-
Deposits and other accounts										
Opening balance	3,745,457	168,528	65,933	3,339,847	3,212,620	3,953,730	148,080	51,048	2,744,432	3,800,959
Received during the period/ year	3,002,522	557,337	1,570,328	7,694,896	46,241,868	4,259,454	849,270	1,917,297	17,580,902	55,702,326
Withdrawn during the period/ year	(6,038,390)	(467,400)	(1,551,956)	(8,434,682)	(44,869,755)	(4,457,255)	(851,481)	(1,902,412)	(16,985,487)	(56,301,430)
Transfer in / (out) - net	(7,280)	(53,028)	-	-	(12,895)	(10,472)	22,659	-	-	10,765
Closing balance	702,309	205,437	84,305	2,600,061	4,571,838	3,745,457	168,528	65,933	3,339,847	3,212,620
Other Liabilities										
Markup payable	7,207	580	115	26,574	49,011	32,342	282	134	15,968	36,943
Accrued expenses and other payable	6,892	-	29,397	75,558	70	7,299	-	17,966	78,922	884
Advance received against sale of property	-	-	20,000	-	-	-	-	20,000	-	-
Unrealized loss on forward foreign exchange contracts - outstanding	-	-	102,563	-	1,447	-	-	10,196	-	-
Contingencies and Commitments										
Commitments and contingent liabilities - outstanding	-	-	-	10,515	926,168	-	-	-	10,227	4,374,481
Forward foreign exchange contracts (Notional) - outstanding	-	-	2,128,227	-	4,128,438	-	-	2,121,196	-	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019



	Unaudited half year ended June 30, 2019					Unaudited half year ended June 30, 2018				
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
(Rupees in '000)										
Income										
Markup / return / interest earned	-	7,247	148,948	-	10,578	38	4,706	79,567	-	38,835
Fee and commission income	-	-	25,413	582,985	9,314	-	-	17,951	560,633	2,992
Dividend income	-	-	-	105,000	6,800	-	-	-	70,000	6,800
Gain on forward foreign exchange contracts matured during the period	-	-	-	-	17,522	-	-	-	-	286,156
Net (loss) / gain on sale of securities	-	-	-	(70)	3,265	-	-	-	51	40,168
Gain on sale of fixed assets	-	116	-	-	-	-	23	-	-	-
Rent income and reimbursement of other expenses	-	-	20,024	4,931	2,025	-	-	12,835	1,838	1,620
Expense										
Markup / return / interest expensed	91,046	789	724	91,479	171,011	82,674	729	764	42,053	97,644
Other Operating expenses										
Clearing expenses paid to NIFT	-	-	-	-	72,992	-	-	-	-	78,554
Contribution to provident fund	-	-	-	-	184,476	-	-	-	-	179,089
Rent expenses	-	-	4,752	-	18,640	-	-	4,320	-	27,403
Cash sorting expenses	-	-	-	-	80,647	-	-	-	-	38,843
Stationery expenses	-	-	-	-	131,995	-	-	-	-	122,592
Security guards expenses	-	-	-	-	189,657	-	-	-	-	204,546
Remuneration to key executives and non-executive directors fee	96,692	282,546	-	-	-	87,883	283,076	-	-	-
Outsourcing service expenses	-	-	-	117,432	-	-	-	-	96,672	-
Commission expenses	-	-	-	-	3,368	-	-	11,378	-	2,920
E-dividend processing fee and CDC charges	-	-	-	-	13,334	-	-	-	-	15,166
Travelling Expenses	-	-	-	-	784	-	-	-	-	13,839
Hotel stay expenses	-	-	-	-	5,220	-	-	-	-	1,585
Repair & Maintenance Charges	-	-	-	-	10	-	-	-	-	3,960
Advertisement Expenses	-	-	-	-	371,783	-	-	-	356,503	10
Miscellaneous expenses and payments	-	-	-	-	46,814	-	-	-	196,563	-
Insurance premium-net of refund	-	-	-	-	-	-	-	-	-	-
Insurance claim settled	-	-	-	-	-	-	-	-	-	-
Other Transactions										
Payment against scheme of demerger	-	-	-	-	-	-	-	22,214,180	-	-
Proceeds from sale of fixed assets	-	116	-	-	-	1,999	3,149	-	-	-
Purchase of fixed assets	-	-	-	26,373	20,003	-	-	-	9,687	-
Sale of foreign currency	-	-	11,502,173	-	-	-	-	7,444,956	-	-
Purchase of foreign currency	-	-	7,557,201	-	-	-	-	4,587,727	-	-
Payments against home remittances	-	-	1,505,011	-	-	-	-	457,436	-	-
Sale of government securities	42,438	39,782	-	2,346,615	9,916,427	-	20,375	-	2,346,879	168,382,343
Purchase of government securities	-	24,980	-	2,474,320	5,826,379	-	19,993	-	2,544,892	172,064,634
Forward exchange contracts matured during the period	-	-	-	-	9,630,628	-	-	-	-	57,476,979

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.



Unaudited
June 30, 2019
Audited
December 31,
2018
-----Rupees in '000-----

39 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENT

39.1 Capital Adequacy

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

11,850,600	11,850,600
------------	------------

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

129,259,412	128,999,274
-------------	-------------

Eligible Additional Tier 1 (ADT 1) Capital

-	-
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Total Eligible Tier 1 Capital

129,259,412	128,999,274
-------------	-------------

Eligible Tier 2 Capital

16,764,637	16,987,978
------------	------------

Total Eligible Capital (Tier 1 + Tier 2)

146,024,049	145,987,252
-------------	-------------

Risk Weighted Assets (RWAs):

Credit Risk

651,186,141	637,480,582
-------------	-------------

Market Risk

71,082,629	54,814,473
------------	------------

Operational Risk

112,882,444	112,882,444
-------------	-------------

Total

835,151,214	805,177,499
-------------	-------------

Common Equity Tier 1 Capital Adequacy ratio

15.48%	16.02%
--------	--------

Tier 1 Capital Adequacy Ratio

15.48%	16.02%
--------	--------

Total Capital Adequacy Ratio

17.48%	18.13%
--------	--------

39.2 Leverage Ratio (LR):

Eligible Tier-1 Capital

129,259,412	128,999,274
-------------	-------------

Total Exposures

1,876,158,579	1,820,404,530
---------------	---------------

Leverage Ratio

6.89%	7.09%
-------	-------

39.3 Liquidity Requirements

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

678,853,282	609,585,939
-------------	-------------

Total Net Cash Outflow

352,354,261	341,044,576
-------------	-------------

Liquidity Coverage Ratio

192.66%	178.74%
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Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

958,085,739	895,570,558
-------------	-------------

Total Required Stable Funding

698,376,362	685,678,115
-------------	-------------

Net Stable Funding Ratio

137.19%	130.61%
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40 EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on August 07, 2019 has announced a cash dividend in respect of half year ended June 30, 2019 of Rs. 4.00 per share (June 30, 2018: Rs. 4.00 per share). These unconsolidated condensed interim financial statements for the period ended June 30, 2019 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

41 GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

42 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 07, 2019

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Salman Khalid Butt
Director

Iqraa Hassan Mansha
Director



MCB BANK LIMITED

(Consolidated Condensed Interim Financial Statements for the half year ended June 30, 2019)



Consolidated Condensed Interim Statement of Financial Position As at June 30, 2019

Note	Unaudited June 30, 2019	Audited December 31, 2018
	-----Rupees in '000-----	
ASSETS		
Cash and balances with treasury banks	7 147,165,502	110,165,006
Balances with other banks	8 17,069,606	13,338,117
Lendings to financial institutions	9 7,191,663	39,149,890
Investments	10 803,875,961	754,385,775
Advances	11 574,354,212	566,792,265
Fixed assets	12 52,927,693	43,531,396
Intangible assets	13 1,501,976	1,452,462
Deferred tax assets	-	-
Other assets	14 66,038,383	56,395,096
	1,670,124,996	1,585,210,007
LIABILITIES		
Bills payable	16 11,604,726	17,003,272
Borrowings	17 187,588,426	223,216,115
Deposits and other accounts	18 1,231,815,400	1,122,306,535
Liabilities against assets subject to finance lease	-	-
Subordinated debt	19 -	3,891,019
Deferred tax liabilities	20 1,025,463	1,983,145
Other liabilities	21 85,938,971	65,487,042
	1,517,972,986	1,433,887,128
NET ASSETS	152,152,010	151,322,879
REPRESENTED BY		
Share capital	11,850,600	11,850,600
Reserves	22 77,121,103	74,374,573
Surplus on revaluation of assets	23 9,123,361	10,417,875
Unappropriated profit	53,347,349	53,971,079
	151,442,413	150,614,127
Non-controlling interest	709,597	708,752
	152,152,010	151,322,879
CONTINGENCIES AND COMMITMENTS	24	

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Salman Khalid Butt
Director

Iqraa Hassan Mansha
Director

Consolidated Condensed Interim Profit and Loss Account (Un-audited)
For the half year ended June 30, 2019



	Note	Quarter ended June 30, 2019	Half Year ended June 30, 2019	Quarter ended June 30, 2018	Half Year ended June 30, 2018
-----Rupees in '000-----					
Mark-up / return / interest earned	26	34,082,170	63,418,278	20,325,617	39,272,450
Mark-up / return / interest expensed	27	18,841,312	33,838,728	8,375,069	15,947,896
Net mark-up / interest income		15,240,858	29,579,550	11,950,548	23,324,554
NON MARK-UP / INTEREST INCOME					
Fee and commission income	28	3,005,247	6,069,062	2,847,509	5,809,043
Dividend income		452,264	654,605	353,945	530,382
Foreign exchange income		1,324,715	1,786,380	662,314	1,247,498
(Loss) / income from derivatives		(19,666)	(3,936)	40,618	38,552
(Loss) / gain on securities	29	(192,310)	(177,682)	382,019	973,193
Other Income	30	24,305	57,003	18,431	174,061
Total non-markup / interest Income		4,594,555	8,385,432	4,304,836	8,772,729
Total Income		19,835,413	37,964,982	16,255,384	32,097,283
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	31	9,348,238	18,809,457	8,537,086	18,578,319
Workers welfare fund		182,703	365,700	175,869	321,996
Other charges	32	60,608	106,880	35,906	74,738
Total non-markup / interest expenses		9,591,549	19,282,037	8,748,861	18,975,053
Share of profit of associates		42,364	199,907	157,835	357,513
Profit before provisions		10,286,228	18,882,852	7,664,358	13,479,743
Provisions / (reversals) and write offs - net	33	1,355,669	907,499	(731,457)	(2,211,646)
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		8,930,559	17,975,353	8,395,815	15,691,389
Taxation	34	3,519,156	7,553,728	3,636,011	6,220,167
PROFIT AFTER TAXATION		5,411,403	10,421,625	4,759,804	9,471,222
Loss / (profit) attributable to non-controlling interest		23,271	(818)	(36,894)	(47,553)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE BANK		5,434,674	10,420,807	4,722,910	9,423,669
Rupees					
Basic and diluted earnings per share	35	4.59	8.79	3.99	7.95

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

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President / CEO

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Chief Financial Officer

Mian Umer Mansha
Mian Umer Mansha
Director

Salman Khalid Butt
Salman Khalid Butt
Director

Iqraa Hassan Mansha
Iqraa Hassan Mansha
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
As at June 30, 2019



	Quarter ended June 30, 2019	Half Year ended June 30, 2019	Quarter ended June 30, 2018	Half Year ended June 30, 2018
-----Rupees in '000-----				
Profit after taxation for the period	5,411,403	10,421,625	4,759,804	9,471,222
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Effect of translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the bank	1,329,609	1,661,322	354,204	650,544
- Non-controlling interest	25	27	6	31
	1,329,634	1,661,349	354,210	650,575
Share of exchange translation reserve of associate	1,667	17,709	4,479	1,574
Movement in surplus/ (deficit) on revaluation of investments - net of tax				
- Equity shareholders of the bank	(1,746,639)	(1,230,109)	(2,182,049)	(2,976,712)
	(1,746,639)	(1,230,109)	(2,182,049)	(2,976,712)
Movement in share of surplus / deficit on revaluation of associated undertaking- net of tax	(129,621)	(26,769)	12,665	(119,947)
	(544,959)	422,180	(1,810,695)	(2,444,510)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement loss on defined benefit obligations - net of tax	(534,194)	(534,194)	(545,478)	(679,241)
	(534,194)	(534,194)	(545,478)	(679,241)
Total comprehensive income	4,332,250	10,309,611	2,403,631	6,347,471
Attributable to:				
- Equity shareholders of the bank	4,309,004	10,310,456	2,440,531	6,395,055
- Non-controlling interest	23,246	(845)	(36,900)	(47,584)
	4,332,250	10,309,611	2,403,631	6,347,471

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

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Director

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Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the half year ended June 30, 2019



	Share capital	Share premium	Capital reserve	Non-distributable capital reserve	Exchange translation reserve	Statutory reserve	General reserve	Revenue reserve	Surplus/(deficit) on revaluation of investments	Associate	Fixed non-banking assets	Unappropriated profit	Sub total	Not containing interest	Total
Balance as at December 31, 2017	11,850,000	23,973,024	968,317	-	397,379	27,148,482	18,600,000	18,600,000	4,332,604	443,561	12,059,028	55,221,069	155,535,674	707,407	156,543,081
Total comprehensive income for the six months period ended June 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit after taxation for the six months period ended June 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend at Rs. 4.0 per share - December 31, 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - March 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2018	11,850,000	23,973,024	968,317	-	397,379	27,148,482	18,600,000	18,600,000	4,332,604	443,561	12,059,028	55,221,069	155,535,674	707,407	156,543,081
Change in equity for six months period ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the six months period ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit after taxation for the six months period ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - June 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - September 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2018	11,850,000	23,973,024	968,317	-	397,379	27,148,482	18,600,000	18,600,000	4,332,604	443,561	12,059,028	55,221,069	155,535,674	707,407	156,543,081
Total comprehensive income for the six months period ended June 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit after taxation for the six months period ended June 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend at Rs. 4.0 per share - December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - September 30, 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2019	11,850,000	23,973,024	968,317	-	397,379	27,148,482	18,600,000	18,600,000	4,332,604	443,561	12,059,028	55,221,069	155,535,674	707,407	156,543,081

Balance as at December 31, 2017
Total comprehensive income for the six months period ended June 30, 2018
Profit after taxation for the six months period ended June 30, 2018
Other comprehensive income - net of tax

Transfer to statutory reserve
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax
Transactions with owners, recorded directly in equity
Final cash dividend at Rs. 4.0 per share - December 31, 2017
Interim cash dividend at Rs. 4.0 per share - March 31, 2018

Balance as at June 30, 2018
Change in equity for six months period ended December 31, 2018
Total comprehensive income for the six months period ended December 31, 2018
Profit after taxation for the six months period ended December 31, 2018
Other comprehensive income - net of tax

Transfer to statutory reserve
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax
Surplus realized on disposal of revalued fixed assets - net of tax
Transactions with owners, recorded directly in equity
Interim cash dividend at Rs. 4.0 per share - June 30, 2018
Interim cash dividend at Rs. 4.0 per share - September 30, 2018

Share of dividend attributable to Non-controlling interest
Balance as at December 31, 2018

Total comprehensive income for the six months period ended June 30, 2019
Profit after taxation for the six months period ended June 30, 2019
Other comprehensive income - net of tax

Transfer to statutory reserve
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax
Surplus realized on disposal of revalued fixed assets - net of tax
Transactions with owners, recorded directly in equity
Final cash dividend at Rs. 4.0 per share - December 31, 2018
Interim cash dividend at Rs. 4.0 per share - September 30, 2018

Share of dividend attributable to Non-controlling interest
Balance as at June 30, 2019

For details of dividend declaration and appropriations, please refer notes 41 to these consolidated condensed interim financial statements.

For details of reserves, please refer note 22 to these consolidated condensed interim financial statements.

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

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President / CEO

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Director

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Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)
For the half year ended June 30, 2019



CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation
Less: Dividend income and share of profit of associates
Adjustments:
Depreciation on fixed assets
Depreciation on non-banking assets acquired in satisfaction of claims
Amortization
Provisions / (reversals) and write offs - net
Workers welfare fund
Gain on sale of fixed assets
(Reversal) charge for defined benefit plans
Unrealized loss on revaluation of investments classified as held for trading
Gain on sale of shares in an associate

Decrease / (increase) in operating assets
Lendings to financial institutions
Held-for-trading securities
Advances
Others assets (excluding advance taxation)

Increase in operating liabilities
Bills Payable
Borrowings from financial institutions
Deposits
Other liabilities (excluding current taxation)

Defined benefits paid
Income tax paid
Net cash flow from operating activities

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities
Net investments in held-to-maturity securities
Dividends received
Investments in fixed assets
Investments in Intangible assets
Proceeds from sale of fixed assets
Proceeds from sale of non-banking assets acquired in satisfaction of claims
Investments in non-banking assets acquired in satisfaction of claims
Proceeds from divestment in an associate
Effect of translation of net investment in foreign branches and subsidiaries
Net cash flow used in investing activities

CASH FLOW FROM FINANCING ACTIVITIES

Payments of subordinated debt
Payment of lease liability against right-of-use-assets
Dividend paid
Net cash flow used in financing activities

Effects of exchange rate changes on cash and cash equivalents

Increase in cash and cash equivalents

Cash and cash equivalents at beginning of the period
Cash and cash equivalents at end of the period

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

Note	Half Year ended June 30, 2019	Half Year ended June 30, 2018
	-----Rupees in '000-----	
	17,975,353	15,691,389
	(854,512)	(887,895)
	17,120,841	14,803,494
31	1,873,037	1,121,091
31	24,124	24,895
31	188,591	174,580
33	907,499	(2,211,646)
	365,700	321,996
30	(36,625)	(67,079)
	(32,175)	1,953,336
29	82,646	133,363
	-	(51,360)
	3,372,797	1,399,176
	20,493,638	16,202,670
	31,958,227	1,603,863
	3,194,379	(875,733)
	(6,791,304)	(61,554,700)
	(16,375,035)	(961,470)
	11,986,267	(61,788,040)
	(5,398,546)	(9,261,947)
	(34,949,534)	58,910,320
	109,508,865	69,194,635
	11,290,900	1,086,391
	80,451,685	119,929,399
	(166,874)	(177,282)
	(378,874)	(5,302,446)
	112,385,842	68,864,301
	(55,492,926)	(41,630,509)
	(882,746)	3,461,051
	728,817	919,009
	(3,069,841)	(2,611,199)
	(257,037)	(269,791)
	88,240	79,753
	40,000	-
	(64,445)	-
	-	295,448
	1,661,349	650,575
	(57,248,589)	(39,105,663)
	(3,891,019)	(780)
	(442,002)	-
	(9,394,092)	(10,783,824)
	(13,727,113)	(10,784,604)
	4,750,546	2,223,887
	46,160,686	21,197,921
	116,806,471	113,521,354
	162,967,157	134,719,275

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Chief Financial Officer

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Salman Khalid Butt

Salman Khalid Butt
Director

Iqraa Hassan Mansha

Iqraa Hassan Mansha
Director



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"

100%
100%
51.33%
99.94%
100%
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 the Pakistan stock exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,377 branches (2018: 1,376 branches) within Pakistan and 11 branches (2018: 11 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

1.1 The board of directors of the Bank has approved the winding up of Financial & Management Services (Private) Limited. The Bank holds 95.90% shareholding of the Company.

1.2 The board of directors of the Bank has approved the amalgamation scheme of MNET Services (Private) Limited into and within the Bank. The Bank holds 100% shareholding of the Company.

2. BASIS OF PREPARATION

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

- a. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based in the financial statements for the half year ended June 30, 2019 and the carrying value of investments held by the Group is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.
- b. Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost, thereafter adjusted for the post-acquisition change in the Group's share of net assets of the associates. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associates have been accounted for based on the financial statements for the half year ended June 30, 2019.
- c. Non-controlling interest is that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan 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.

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 40 to these consolidated condensed interim financial statements.

2.3 The consolidated condensed interim financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded off to the nearest thousand.



2.4 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.

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 State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.3 The SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I)/2016 dated January 28, 2016, it has been notified that the requirements of IFRS 10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

3.4 The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 05 of 2019 dated March 22, 2019 and IAS 34, Interim Financial Reporting. The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual consolidated financial statements for the financial year ended December 31, 2018.

3.5 Amendments to approved accounting standards that are effective in the current period

The State Bank of Pakistan (SBP) through its BPRD Circular Letter No. 05 of 2019 dated March 22, 2019 has amended the format of condensed interim financial statements of banks. All banks are directed to prepare their condensed interim financial statements on the revised format effective from the accounting year starting from January 01, 2019. Accordingly, the Group has prepared these consolidated condensed interim financial statements on the new format prescribed by the State Bank of Pakistan. The adoption of new format introduced additional disclosure requirements and required certain reclassification of profit and loss comparative numbers. Under revised format, cost of foreign currency swaps (note 27) amounting to Rs 1,092.168 million (2018: Rs 285.665 million) which was previously shown as part of foreign exchange income has now been shown as part of mark-up / return / interest expense in the consolidated condensed interim statement of profit and loss account.

The Group has adopted "IFRS 15 Revenue from Contracts with Customers" and "IFRS 16 Leases" effective 01 January 2019. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has adopted IFRS 15 from 01 January 2019. The timing or amount of income from contracts with customers was not impacted by the adoption of IFRS 15, accordingly, the adoption of this standard has no material impact in these consolidated condensed interim financial statements. The impact of adoption of IFRS 16 on the Group consolidated condensed interim financial statements is disclosed in note 4.1.1.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2019. These are considered either to not be relevant or not to have any significant impact on the Group consolidated condensed interim financial statements.

3.6 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

The following new standards and amendments to existing accounting standards will be effective from the dates mentioned below against the respective standard or amendment:

	Effective date (annual periods beginning on or after)
IFRS 3, Business Combinations - (Amendments)	January 1, 2020
IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2020
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from SBP, the requirements of IFRS 9 have not been considered for Pakistan operations of the Bank in preparation of these consolidated condensed interim financial statements.

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the 'incurred credit losses' approach as currently followed. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Group is in the process of assessing the full impact of this standard.

The Group expects that adoption of the remaining amendments will not affect its financial statements in the period of initial application.

There are new and amended standards and interpretations that are that are not yet effective. These new and amended standards and interpretations are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated condensed interim financial statements.

The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 05 of 2019 dated March 22, 2019 and IAS 34, Interim Financial Reporting. The condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the financial year ended December 31, 2018.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 The significant accounting policies and methods of computation adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the audited annual consolidated financial statements of the Group for the year ended December 31, 2018 except for the followings:

4.1.1 Change in accounting policies

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases- Incentive, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces an on balance sheet lease accounting model for long term operating leases (short-term leases and leases where the underlying assets are of low value continue to be treated as off-balance sheet operating leases). A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Group has adopted IFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the Standard.

On adoption of IFRS 16, the Group has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were measured as the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate of 12.49% as of January 1, 2019. The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The change in accounting policy affected the following items in the statement of financial position as on January 01, 2019:

- Right-of-Use (RoU) assets recognized as Fixed assets – increased by Rs 8,224.029 million which includes prepayments of Rs. 305.136 million; previously, included in advances, deposits, advance rent and other prepayments at December 31, 2018.
- Lease liabilities recognized as Other liabilities – increased by Rs 8,054.728 million
- The impact on profit and loss account for the period January 1, 2019 to June 30, 2019 was a decrease in profit after tax by Rs. 222.331 million and earning per share by Rs. 0.188.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2018.

7. CASH AND BALANCES WITH TREASURY BANKS

	Unaudited June 30, 2019	Audited December 31, 2018
-----Rupees in '000-----		
In hand		
Local currency	20,290,320	18,425,271
Foreign currencies	4,564,779	3,091,560
	24,855,099	21,516,831
With State Bank of Pakistan in		
Local currency current accounts	64,097,491	43,735,552
Foreign currency current accounts	422,064	571,438
Foreign currency deposit accounts	15,751,784	12,841,393
	80,271,339	57,148,383
With other central banks in		
Foreign currency current accounts	7,501,274	5,197,681
With National Bank of Pakistan in		
Local currency current accounts	26,946,240	26,181,864
Prize bonds	7,591,550	120,247
	147,165,502	110,165,006

8. BALANCES WITH OTHER BANKS

In Pakistan		
In current account	4,642	3,812
In deposit account	1,045,768	1,011,404
	1,050,410	1,015,216
Outside Pakistan		
In current accounts	10,143,235	9,676,073
In deposit accounts	5,875,961	2,646,828
	16,019,196	12,322,901
	17,069,606	13,338,117

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	-	1,437,978
Repurchase agreement lendings (Reverse Repo)	2,104,999	33,036,912
Musharaka arrangements	1,715,000	4,675,000
Bai Muajjal receivable - with State Bank of Pakistan	3,371,664	-
	7,191,663	39,149,890

10. INVESTMENTS	Unaudited June 30, 2019				Audited December 31, 2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
10.1 Investments by type:								
Held-for-trading securities								
Federal Government Securities	6,044,969	-	(7,342)	6,037,627	9,348,153	-	(2,599)	9,345,554
Shares	1,154,627	-	(75,304)	1,079,323	1,093,588	-	(45,167)	1,048,421
	7,199,596	-	(82,646)	7,116,950	10,441,741	-	(47,766)	10,393,975
Available-for-sale securities								
Federal Government Securities	736,348,661	-	(5,084,132)	731,264,529	683,373,062	-	(4,031,830)	679,341,232
Shares and units	29,241,015	(9,991,158)	(1,155,120)	18,094,737	27,929,718	(8,253,849)	(279,499)	19,396,370
Non Government Debt Securities	2,627,838	-	2,807	2,630,645	2,523,629	-	4,452	2,528,081
Foreign Securities	3,647,275	-	20,599	3,667,874	2,545,151	-	(16,492)	2,528,659
	771,864,789	(9,991,158)	(6,215,846)	755,657,785	716,371,560	(8,253,849)	(4,323,369)	703,794,342
Held-to-maturity securities								
Federal Government Securities	22,828,004	(2,425)	-	22,825,579	21,859,645	(1,675)	-	21,857,970
Provincial Government Securities	118	(118)	-	-	118	(118)	-	-
Non Government Debt Securities	10,570,388	(460,960)	-	10,109,428	9,001,110	(490,924)	-	8,510,186
Foreign Securities	4,154,885	-	-	4,154,885	5,809,776	-	-	5,809,776
	37,553,395	(463,503)	-	37,089,892	36,670,649	(492,717)	-	36,177,932
Associates	4,011,334	-	-	4,011,334	4,019,526	-	-	4,019,526
Total Investments	820,629,114	(10,454,661)	(6,298,492)	803,875,961	767,503,476	(8,746,566)	(4,371,135)	754,385,775

10.1.1 Investments given as collateral

- Market Treasury Bills
- Pakistan Investment Bonds

10.2 Provision for diminution in value of investments

10.2.1	Opening balance	Unaudited June 30, 2019	Audited December 31, 2018
	Exchange adjustments	120,975,939	155,324,815
	Charge / (reversals)	8,233,502	10,489,134
	Charge for the period / year	129,209,441	165,813,949
	Reversals for the period / year	8,746,566	5,984,983
	Reversal on disposals	303	286
	Amounts written off	1,909,929	3,700,485
	Closing Balance	(29,964)	(4,620)
		(172,173)	(835,803)
		1,707,792	2,860,062
		-	(98,765)
		10,454,661	8,746,566

10.2.2 Particulars of provision against debt securities

Category of classification	Unaudited June 30, 2019		Audited December 31, 2018	
	NPI	Provision	NPI	Provision
Domestic				
Loss	461,078	461,078	491,042	491,042

10.2.3 In addition to the above, overseas branches hold a general provision of Rs 2.425 million (December 31, 2018: Rs 1.675 million) in accordance with the requirements of IFRS 9.

10.3 The market value of securities classified as held-to-maturity as at June 30, 2019 amounted to Rs.33,118.869 million (December 31, 2018: Rs. 34,895.775 million).

10.4 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, 2019 amounted to Rs. 2,453.500 million (2018: Rs. 2,941.400 million).

Investment in Adamjee Insurance Company Limited under equity method - holding 20.00% (2018: 20.00%)

	Unaudited June 30, 2019	Audited December 31, 2018
Rupees in '000		
Opening balance	3,959,039	4,385,602
Share of profit for the period / year before tax	192,632	446,121
Dividend from associate	(105,000)	(140,000)
Share of tax	(83,184)	(208,759)
	4,448	97,362
Share of other comprehensive income	(13,939)	(222,761)
Disposal during the period / year	-	(301,164)
Closing balance	3,949,548	3,959,039
Share of other comprehensive income		
Share of unrealized surplus on assets -net of tax	(31,648)	(239,821)
Share of exchange translation reserve of associate	17,709	17,060
	(13,939)	(222,761)

10.5 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% (2018: 30.00%)

	Unaudited June 30, 2019	Audited December 31, 2018
Rupees in '000		
Opening balance	60,487	70,637
Share of profit for the period / year before tax	7,275	136
Share of tax	(5,976)	(10,286)
Closing balance	1,299	(10,150)
	61,786	60,487

	Performing		Non Performing		Total	
	Unaudited June 30, 2019	Audited December 31, 2018	Unaudited June 30, 2019	Audited December 31, 2018	Unaudited June 30, 2019	Audited December 31, 2018
Loans, cash credits, running finances, etc.	491,567,324	480,263,372	47,382,197	47,976,277	538,949,521	528,239,649
Islamic financing and related assets	59,435,993	62,911,298	393,806	10,766	59,829,799	62,922,064
Bills discounted and purchased	17,769,099	17,887,661	768,296	979,271	18,537,395	18,866,932
Advances - gross	568,772,416	561,062,331	48,544,299	48,966,314	617,316,715	610,028,645
Provision against advances						
- Specific	(1,400,297)	(1,292,113)	(41,562,206)	(41,944,267)	(41,562,206)	(41,944,267)
- General	(1,400,297)	(1,292,113)	(41,562,206)	(41,944,267)	(1,400,297)	(1,292,113)
Advances - net of provision	567,372,119	559,770,218	6,982,093	7,022,047	574,354,212	566,792,265

11.1 Particulars of advances (Gross)

In local currency
In foreign currencies

Advances include Rs. 48,544,299 million (2018: Rs. 48,966,314 million) which have been placed under the non-performing status as detailed below:

Category of Classification

Category of Classification	Unaudited June 30, 2019		Audited December 31, 2018	
	Non Performing Loans	Provision	Non Performing Loans	Provision
Domestic				
Other Assets Especially Mentioned	96,376	5,482	59,044	2,591
Substandard	603,536	53,859	1,141,973	284,372
Doubtful	894,699	634,530	1,734,078	866,961
Loss	38,287,864	37,294,956	38,336,785	37,706,704
Overseas	39,882,475	37,988,827	41,271,880	38,860,628
Not past due but impaired	75,107	74,563	62,287	62,287
Overdue by:				
Upto 90 days	13,507	3,377	624,403	433,424
91 to 180 days	52,406	20,321	140,323	35,205
181 to 365 days	604,593	527,680	7,473	3,736
> 365 days	7,916,211	2,947,438	6,859,948	2,548,987
Total	8,661,824	3,573,379	7,694,434	3,083,639
	48,544,299	41,562,206	48,966,314	41,944,267

11.2.1 This represents non-performing portfolio of agricultural and small enterprise financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural and Small Enterprise Financing issued by the State Bank of Pakistan.

11.2.2 Exposure amounting to Rs. 14,591,978 million (December 31, 2018: Rs. Nil) relating to Power Holding (Private) Limited has not been classified as non-performing in accordance with a relaxation given by the SBP. The exposure is fully guaranteed by the GoP and does not require any provision.

11.3 Particulars of provision against advances

	Unaudited June 30, 2019			Audited December 31, 2018		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	41,944,267	1,292,113	43,236,380	44,587,644	1,118,256	45,705,900
Exchange adjustments	395,020	32,741	427,761	513,168	19,014	532,182
Charge for the period / year	1,759,879	84,391	1,844,270	1,613,591	158,663	1,772,254
Reversals	(2,526,017)	(8,948)	(2,534,965)	(4,618,549)	(3,820)	(4,622,369)
	(766,138)	75,443	(690,695)	(3,004,958)	154,843	(2,850,115)
Amounts written off	(10,943)	-	(10,943)	(151,587)	-	(151,587)
Closing balance	41,562,206	1,400,297	42,962,503	41,944,267	1,292,113	43,236,380

- 11.3.1 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. The Bank (holding company) has not taken the FSV benefit in calculation of specific provision. However, one of the subsidiary of the Bank has availed benefit of forced sale values amounting to Rs. 101.809 million (December 31, 2018: Nil) in determining the provisioning against non-performing Islamic financing and related assets as at June 30, 2019. The additional benefit on the Bank's statement of profit and loss arising from availing the FSV benefit - net of tax amounts to Rs. 66,176 million as at June 30, 2019 (December 31, 2018: Nil). However, the additional impact on profitability arising from availing the benefit of forced sales value is not available for payment of cash or stock dividends to shareholders.
- 11.3.2 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 unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. 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. General provision against all other advances represents provision maintained at around 0.1% of gross advances.

12. FIXED ASSETS

Capital work-in-progress
Property and equipment

12.1 Capital work-in-progress

Civil works
Equipment
Advances to suppliers
Others

12.2 This includes right-of-use assets amounting to Rs.7,432,863 million due to adoption of IFRS 16 as detailed in note 4.1.1.

12.3 Additions to fixed assets

The following additions have been made to fixed assets during the period:

Capital work-in-progress
Property and equipment
Freehold land
Building on freehold land
Electrical office and computer equipment
Furniture and fixture
Leasehold Improvements
Vehicles

Total

12.4 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Freehold land
Vehicles
Furniture and fixture
Electrical office and computer equipment
Leasehold Improvements
Total

Note	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees in '000	
12.1	1,838,079	1,501,801
12.2	51,089,614	42,029,595
	52,927,693	43,531,396
	1,098,512	719,229
	183,137	295,662
	465,563	452,188
	90,867	34,722
	1,838,079	1,501,801
	Unaudited June 30, 2019	Unaudited June 30, 2018
	Rupees in '000	
	336,278	732,529
	708,245	466,712
	1,008,259	119,589
	688,953	1,028,420
	114,142	123,007
	137,480	72,023
	76,484	68,919
	2,733,563	1,878,670
	3,069,841	2,611,199
	21,000	-
	28,910	11,691
	573	553
	849	430
	283	-
	51,615	12,674

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019



Note	Unaudited June 30, 2019	Audited December 31, 2018
	-----Rupees in '000-----	
13. INTANGIBLE ASSETS		
Capital work-in-progress	235,530	257,805
Computer software	992,319	920,530
Goodwill	82,127	82,127
Management rights	192,000	192,000
	<u>1,501,976</u>	<u>1,452,462</u>

13.1 Additions to intangible assets

The following additions have been made to intangible assets during the period:

Directly purchased	257,037	269,791
	<u>257,037</u>	<u>269,791</u>

14. OTHER ASSETS

	-----Rupees in '000-----	
Income/ mark-up accrued in local currency	17,264,511	12,291,231
Income/ mark-up accrued in foreign currencies	129,242	134,709
Advances, deposits, advance rent and other prepayments	3,519,624	2,737,424
Advance taxation (payments less provisions)	376,480	7,464,966
Compensation for delayed income tax refunds	133,809	133,809
Non-banking assets acquired in satisfaction of claims	3,654,161	3,653,840
Branch adjustment account	446,950	-
Mark to market gain on forward foreign exchange contracts	11,476,793	3,690,505
Unrealized gain on derivative financial instruments	1,420,350	852,465
Acceptances	17,393,908	16,256,882
Receivable from the pension fund	3,151,571	3,815,170
Others	9,213,955	7,433,809
	<u>68,181,354</u>	<u>58,464,810</u>
Less: Provision held against other assets	2,623,842	2,550,585
Other Assets (net of provision)	65,557,512	55,914,225
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	480,871	480,871
Other Assets - total	<u>66,038,383</u>	<u>56,395,096</u>

14.1 Provision held against other assets

Non banking assets acquired in satisfaction of claims	99,597	99,597
Others	2,524,245	2,450,988
	<u>2,623,842</u>	<u>2,550,585</u>

14.2.1 Movement in provision held against other assets

Opening balance	2,550,585	3,016,793
Charge for the period / year	1,151	112,529
Reversals	(30,295)	(721,119)
	(29,144)	(608,590)
Amounts written off	(3,591)	(7,180)
Exchange and other adjustments	105,992	149,562
Closing balance	<u>2,623,842</u>	<u>2,550,585</u>

15. CONTINGENT ASSETS

There were no contingent assets of the Group as at June 30, 2019 (2018: NIL).

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2019



	Unaudited June 30, 2019	Audited December 31, 2018
	-----Rupees in '000-----	
16. BILLS PAYABLE		
In Pakistan	11,352,766	16,948,744
Outside Pakistan	251,960	54,528
	<u>11,604,726</u>	<u>17,003,272</u>

17. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Under export refinance scheme	31,016,760	29,430,925
Under long term financing facility	16,815,709	14,628,994
Under renewable energy performance platform	92,290	28,420
Under financing facility for storage of agricultural produce	119,686	165,267
	<u>48,044,445</u>	<u>44,253,606</u>
Repurchase agreement borrowings	129,640,088	165,703,249
Total secured	<u>177,684,533</u>	<u>209,956,855</u>

Unsecured

Borrowings from other financial institution

Call borrowings	4,493,871	6,324,169
Overdrawn nostro accounts	3,979,785	4,826,699
Others	1,267,951	1,946,106
	<u>162,286</u>	<u>162,286</u>
Total unsecured	<u>9,903,893</u>	<u>13,259,260</u>
	<u>187,588,426</u>	<u>223,216,115</u>

18. DEPOSITS AND OTHER ACCOUNTS

	Unaudited June 30, 2019			Audited December 31, 2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	-----Rupees in '000-----					
Customers						
Current deposits	375,706,509	43,846,952	419,553,461	346,298,054	36,242,971	382,541,025
Savings deposits	580,663,438	50,276,188	630,939,626	532,295,382	41,139,150	573,434,532
Term deposits	88,943,642	17,308,914	106,252,556	78,181,102	13,981,644	92,162,746
Others	31,337,478	3,089,227	34,426,705	30,699,847	4,340,402	35,040,249
	<u>1,076,651,067</u>	<u>114,521,281</u>	<u>1,191,172,348</u>	<u>987,474,385</u>	<u>95,704,167</u>	<u>1,083,178,552</u>
Financial Institutions						
Current deposits	11,511,124	1,513,208	13,024,332	7,633,474	2,268,698	9,902,172
Savings deposits	14,384,388	12,819	14,397,207	16,647,671	20,548	16,668,219
Term deposits	5,633,895	7,415,578	13,049,473	5,736,081	6,544,203	12,280,284
Others	-	172,040	172,040	-	277,308	277,308
	<u>31,529,407</u>	<u>9,113,645</u>	<u>40,643,052</u>	<u>30,017,226</u>	<u>9,110,757</u>	<u>39,127,983</u>
	<u>1,108,180,474</u>	<u>123,634,926</u>	<u>1,231,815,400</u>	<u>1,017,491,611</u>	<u>104,814,924</u>	<u>1,122,306,535</u>

19. SUBORDINATED DEBT

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		-----Rupees in '000-----	
Term Finance Certificates - Listed, Unsecured	19.1	-	3,891,019
Issue amount	Rs. 4,198.035 million		
Issue date	June 19, 2014		
Maturity date	June 19, 2022		
Rating	AAA (triple A)		
Security	The TFCs are unsecured and subordinated to all other indebtedness of the Group including deposits		
Profit payment frequency	Semi-Annually		
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.		
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"))		
Call option	The Group 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 Group 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".		

19.1 During the year, the Group has exercised the call option under the terms of issuance of TFCs after completing the required regulatory requirements. Accordingly the outstanding balance of the said TFCs have been redeemed on June 19, 2019, being the option exercise date.

20. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on

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

Deductible Temporary Differences on

- Provision against advances
- Tax losses carried forward
- Surplus/deficit on revaluation of investments
- Others

	Unaudited June 30, 2019	Audited December 31, 2018
	-----Rupees in '000-----	
- Surplus on revaluation of fixed assets	1,003,835	1,018,502
- Surplus on revaluation of Non-banking assets	168,305	168,305
- Accelerated tax depreciation	1,834,447	1,810,834
- Receivable from pension fund	1,103,050	1,335,309
- Business combination	705,218	705,218
- Investments in associated undertaking	1,155,585	1,158,906
	5,970,440	6,197,074
- Provision against advances	(1,647,710)	(1,791,768)
- Tax losses carried forward	(963,385)	(818,652)
- Surplus/deficit on revaluation of investments	(2,175,546)	(1,510,754)
- Others	(158,336)	(92,755)
	(4,944,977)	(4,213,929)
	1,025,463	1,983,145

21. OTHER LIABILITIES

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		-----Rupees in '000-----	
Mark-up/ return/ interest payable in local currency		17,815,094	13,166,020
Mark-up/ return/ interest payable in foreign currencies		497,864	478,001
Unearned commission and income on bills discounted		282,985	231,516
Accrued expenses		4,834,979	5,415,975
Workers' welfare fund	21.1	7,464,786	7,099,086
Acceptances	14	17,393,908	16,256,882
Unclaimed / dividends payable		1,561,204	1,474,816
Mark to market loss on forward foreign exchange contracts		10,028,563	3,495,971
Unrealised loss on derivative financial instruments		1,440,108	863,617
Staff welfare fund		4,846	5,490
Branch adjustment account		-	44,770
Provision for employees' compensated absences		989,266	1,028,129
Provision for post retirement medical benefits		1,745,070	1,730,409
Provision for employees' contributory benevolent scheme		197,643	214,252
Provision for gratuity		663	719
Retention money		20,657	38,437
Insurance payable against consumer assets		727,572	688,107
Unclaimed balances		992,748	1,133,843
Duties and taxes payable		963,676	1,007,800
Charity fund balance		30,044	25,402
Provision against off-balance sheet obligations		37,430	37,430
Security deposits against lease		1,486,739	1,291,857
Lease liability against right of use assets		7,612,726	-
Others		9,810,400	9,758,513
		85,938,971	65,487,042

21.1 Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund were not lawful. The Federal Board of Revenue has filed review petitions against this order which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Group maintained its provision in respect of WWF.

22. RESERVES

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		-----Rupees in '000-----	
Share premium		23,973,024	23,973,024
Non- distributable capital reserve - gain on bargain purchase option	22.1	908,317	908,317
Exchange translation reserve		3,286,813	1,607,782
Statutory reserve	22.2	30,352,949	29,285,450
General reserve		18,600,000	18,600,000
		77,121,103	74,374,573

22.1 Under IFRS-3 a bargain purchase represents an economic gain which should be immediately recognized by the acquirer as income. However, the amount of bargain purchase gain was not been taken to the profit and loss account as the SBP, through its letter BPRD(R&PD)/2017/14330 dated June 13, 2017 recommended that the amount of gain may be routed directly into equity as a Non-distributable Capital Reserve (NCR). The NCR may become available for distribution through a stock dividend only with prior approval of the SBP. The Group, before distribution of the gain as a stock dividend, may adjust any subsequent provisions/deficit, assessed by the Group or recommended by the Banking Inspection Department of SBP, in the acquired assets and liabilities of NIB Bank Limited against the NCR.

22.2 Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962.

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23. SURPLUS ON REVALUATION OF ASSETS

- Surplus / (deficit) on revaluation of
- Available for sale securities
 - Fixed Assets
 - Non-banking assets acquired in satisfaction of claims
 - Associated undertaking

Deferred tax on surplus / (deficit) on revaluation of:

- Available for sale securities
- Fixed Assets
- Non-banking assets acquired in satisfaction of claims
- Associated undertaking

24. CONTINGENCIES AND COMMITMENTS

- Guarantees
- Commitments
- Other contingent liabilities

24.1 Guarantees:

- Financial guarantees
- Performance guarantees
- Other guarantees

24.2 Commitments:

- Documentary credits and short-term trade-related transactions
- letters of credit

Commitments in respect of:

- forward foreign exchange contracts
- forward government securities transactions
- derivatives
- operating leases
- other commitments

Commitments for acquisition of:

- operating fixed assets
- intangible assets

24.2.1 Commitments in respect of forward foreign exchange contracts

- Purchase
- Sale

24.2.2 Commitments in respect of forward government securities transactions

- Purchase
- Sale

24.2.3 Commitments in respect of derivatives

FX options (notional)

- Purchase
- Sale

Cross Currency Swaps (notional)

- Purchase
- Sale

Interest Rate Swaps (notional)

- Purchase

Note	Unaudited June 30, 2019	Audited December 31, 2018
	-----Rupees in '000-----	
10.1	(6,215,846)	(4,323,369)
	13,630,453	13,685,180
	480,871	480,871
	412,378	444,027
	8,307,856	10,286,709
	(2,175,546)	(1,510,754)
	1,003,835	1,018,502
	168,305	168,305
	187,901	192,781
	(815,505)	(131,166)
	9,123,361	10,417,875
24.1	184,834,378	173,231,396
24.2	451,787,561	412,067,935
24.3	25,500,743	17,038,156
	662,122,682	602,337,487
	149,203,023	140,350,012
	31,332,432	30,103,382
	4,298,923	2,778,002
	184,834,378	173,231,396
	146,726,057	144,579,352
24.2.1	287,207,983	217,219,090
24.2.2	4,645,531	27,935,661
24.2.3	10,809,236	11,285,103
24.2.4	-	7,256,479
24.2.5	752,429	2,221,317
	1,493,343	1,430,980
	152,982	139,953
	451,787,561	412,067,935
	162,552,431	126,872,293
	124,655,552	90,346,797
	287,207,983	217,219,090
	4,645,531	13,660,947
	-	14,274,714
	4,645,531	27,935,661
	116,686	1,378,370
	116,686	1,378,370
	233,372	2,756,740
	5,076,764	4,026,814
	5,182,600	4,185,049
	10,259,364	8,211,863
	316,500	316,500
	10,809,236	11,285,103

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
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24.2.4 Commitments in respect of operating leases

- Not later than one year
- Later than one year and not later than five years
- Later than five years

24.2.5 Other commitments

Commitments to extent credit

Other than those mentioned above, the group 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.

24.3 Other contingent liabilities

Claims against the Group not acknowledged as debts

24.3.1 These represent certain claims by third parties against the Group, 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.

24.4 Taxation

For assessment year 1988-89 through tax year 2018, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 1,549 million (2018: Rs. 1,399 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.

25. DERIVATIVE INSTRUMENTS

Unaudited June 30, 2019					
Cross Currency Swaps		Interest Rate Swaps		FX Options	
Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss
-----Rupees in '000-----					
Total					
Hedging	5,076,764	1,402,186	316,500	13,494	116,686
Market Making	5,182,600	(1,435,438)	-	-	116,686
					4,670
					(4,670)
Audited December 31, 2018					
-----Rupees in '000-----					
Total					
Hedging	4,026,814	725,117	316,500	14,771	1,378,370
Market Making	4,185,049	(751,040)	-	-	1,378,370
					48,090
					(48,090)

Note	Half year ended June 30, 2019	Half year ended June 30, 2018
	-----Rupees in '000-----	
26. MARK-UP/RETURN/INTEREST EARNED		
Loans and advances	30,007,273	17,616,088
Investments	29,503,271	21,124,892
Lendings to financial institutions	3,627,611	399,706
Balances with banks	280,123	131,764
	<u>63,418,278</u>	<u>39,272,450</u>
27. MARK-UP/RETURN/INTEREST EXPENSED		
Deposits	29,182,289	13,510,371
Borrowings	2,883,430	2,008,769
Subordinated debt	213,604	143,091
Cost of foreign currency swaps against foreign currency deposits / borrowings	1,092,168	285,665
Unwinding cost of liability against right-of-use assets	467,237	-
	<u>33,838,728</u>	<u>15,947,896</u>
28. FEE & COMMISSION INCOME		
Branch banking customer fees	949,785	1,244,995
Consumer finance related fees	164,142	123,562
Card related fees (debit and credit cards)	1,446,732	1,241,111
Credit related fees	108,557	118,966
Investment banking fee	444,051	395,024
Commission on trade	770,798	778,168
Commission on guarantees	334,409	229,318
Commission on cash management	334,914	308,117
Commission on remittances including home remittances	569,231	481,302
Commission income - Bancassurance	683,875	578,170
Rent on lockers	124,914	122,036
Commission on utility bills	49,115	49,697
Commission on investments services	25,349	39,715
Other Commission	63,190	98,862
	<u>6,069,062</u>	<u>5,809,043</u>
29. GAIN ON SECURITIES, NET		
Realised	29.1 (95,036)	997,194
Unrealised - held for trading	10.1 (82,646)	(24,001)
	<u>(177,682)</u>	<u>973,193</u>
29.1 Realised gain on:		
Federal Government Securities	7,948	113,488
Shares	(102,984)	883,706
	<u>(95,036)</u>	<u>997,194</u>
30. OTHER INCOME		
Rent on property	20,378	20,120
Gain on sale of fixed assets-net	36,625	67,079
Compensation on delayed tax refunds	-	86,862
	<u>57,003</u>	<u>174,061</u>

Note	Half year ended June 30, 2019	Half year ended June 30, 2018
	-----Rupees in '000-----	
31. OPERATING EXPENSES		
Total compensation expense	31.1 8,505,312	9,043,426
Property expense		
Rent and taxes	264,809	1,211,920
Insurance	29,759	30,810
Utilities cost	548,811	479,069
Fuel expense generators	264,488	243,326
Security (including guards)	861,865	866,794
Repair and maintenance (including janitorial charges)	513,615	437,489
Depreciation on right-of-use assets	791,166	-
Depreciation	306,556	264,202
	<u>3,581,069</u>	<u>3,533,610</u>
Information technology expenses		
Software maintenance	474,173	376,751
Hardware maintenance	221,857	214,000
Depreciation	282,055	339,113
Amortisation	188,591	174,580
Network charges	345,754	339,953
Insurance	2,971	3,331
	<u>1,515,401</u>	<u>1,447,728</u>
Other operating expenses		
Directors' fees and allowances	23,347	17,326
Remuneration to shariah board members	4,022	2,081
Legal and professional charges	201,410	179,934
Outsourced services costs	419,309	695,414
Travelling and conveyance	197,142	188,288
NIFT clearing charges	82,188	83,583
Depreciation	493,260	517,776
Depreciation on non-banking assets acquired in satisfaction of claims	24,124	24,895
Training and development	28,713	34,962
Postage and courier charges	166,414	165,219
Communication	179,929	167,191
Stationery and printing	384,332	360,296
Marketing, advertisement & publicity	438,341	373,093
Donations	-	696
Auditors' remuneration	20,908	24,638
Cash transportation charges	367,222	377,485
Repair and maintenance	399,067	377,451
Subscription	4,667	15,455
Entertainment	133,328	133,099
Remittance charges	103,543	86,932
Brokerage expenses	21,160	15,789
Card related expenses	444,920	357,195
CNIC verification charges	112,886	72,256
Insurance	748,953	130,887
Others	208,490	151,614
	<u>5,207,675</u>	<u>4,553,555</u>
	<u>18,809,457</u>	<u>18,578,319</u>

31.1 Comparative numbers include pension cost amounting to Rs. 1,903.117 million on account of increase in pension by the Honourable Supreme Court.

32. OTHER CHARGES

Note	Half year ended June 30, 2019	Half year ended June 30, 2018
	-----Rupees in '000-----	
Penalties of State Bank of Pakistan	15,277	5,029
VAT & National Building tax & Crop Insurance Levy	91,603	69,709
	<u>106,880</u>	<u>74,738</u>

33. PROVISIONS / (REVERSALS) & WRITE OFFS - NET

(Reversals) / provisions against balance with Banks	(506)	2,848
Provisions / (reversals) for diminution in value of investments	10.2.1 1,707,792	27,333
Reversals against loans & advances	11.3 (690,695)	(1,422,419)
Reversals against other assets	14.2.1 (29,144)	(699,697)
Recovery of written off / charged off bad debts	(79,948)	(119,831)
Bad debts written off directly	-	120
	<u>907,499</u>	<u>(2,211,646)</u>

34. TAXATION

Current	7,000,058	5,718,535
Prior years	450,124	-
Deferred	14,386	348,142
Share of tax of associates	89,160	153,490
	<u>7,553,728</u>	<u>6,220,167</u>

35. BASIC AND DILUTED EARNINGS PER SHARE

	-----Rupees in '000-----	
Profit after tax attributable to Equity Shareholders of the Bank	<u>10,420,807</u>	<u>9,423,669</u>
	-----Number-----	
Weighted average number of ordinary shares	<u>1,185,060,006</u>	<u>1,185,060,006</u>
	-----Rupees-----	
Basic and diluted earnings per share	<u>8.79</u>	<u>7.95</u>

36. FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'held to maturity'. Quoted securities classified as held to maturity are carried at amortised cost. Fair value of unquoted equity investments other than investments in associates 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 financial assets and financial liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

36.1 Fair value of financial assets

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

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

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

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

Valuation techniques used in determination of fair valuation of financial instruments within level 2

Item	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined using the PKRV rates.
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) & NBA	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.

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

	Unaudited June 30, 2019				
	Carrying value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	737,302,156	-	737,302,156	-	737,302,156
Shares	17,764,330	17,764,330	-	-	17,764,330
Non-Government Debt Securities	2,630,645	-	2,630,645	-	2,630,645
Foreign Securities	3,667,874	-	3,667,874	-	3,667,874
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares and associates)	42,510,956	-	-	-	-
Cash and balances with treasury banks	147,165,502	-	-	-	-
Balances with other banks	17,069,606	-	-	-	-
Lendings to financial institutions	7,191,663	-	-	-	-
Advances	574,354,212	-	-	-	-
Other assets	54,374,514	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	36,234,821	-	36,234,821	-	36,234,821
Non-banking assets	4,135,032	-	4,135,032	-	4,135,032
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	162,552,431	-	10,855,856	-	10,855,856
Forward sale of foreign exchange	124,655,552	-	9,407,626	-	9,407,626
Derivatives purchase	5,509,950	-	1,420,350	-	1,420,350
Derivatives sale	5,299,286	-	1,440,108	-	1,440,108

	Audited December 31, 2018				
	Carrying value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	688,686,786	-	688,686,786	-	688,686,786
Shares	19,041,266	19,041,266	-	-	19,041,266
Non-Government Debt Securities	2,528,081	-	2,528,081	-	2,528,081
Foreign Securities	2,522,454	-	2,522,454	-	2,522,454
Financial assets - disclosed but not measured at fair value					
Investments (HTM, unlisted ordinary shares,	41,607,188	-	-	-	-
Cash and balances with treasury banks	110,165,006	-	-	-	-
Balances with other banks	13,338,117	-	-	-	-
Lendings to financial institutions	39,149,890	-	-	-	-
Advances	566,792,265	-	-	-	-
Other assets	38,208,613	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	34,894,351	-	34,894,351	-	34,894,351
Non-banking assets	4,035,114	-	4,035,114	-	4,035,114
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	126,872,293	-	3,477,211	-	3,477,211
Forward sale of foreign exchange	90,346,797	-	3,452,374	-	3,452,374
Derivatives purchase	5,721,684	-	787,978	-	787,978
Derivatives sale	5,563,419	-	799,130	-	799,130

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37. SEGMENT INFORMATION

37.1 Segment details with respect to business activities

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

Unaudited half year ended June 30, 2019										
Retail Banking	Consumer banking	Corporate Banking	Treasury	Islamic Banking	Asset Management	others	Sub-total	Eliminations	Total	
Rupees in '000										
Profit & Loss										
Net mark-up/return/profit	(19,538,108)	1,856,388	17,064,525	28,416,955	1,733,871	977	44,942	29,579,550	-	29,579,550
Inter segment revenue - net	40,337,346	(1,127,219)	(14,056,787)	(29,962,383)	-	-	4,809,043	-	-	-
Non mark-up / return / interest income	3,078,903	965,557	2,223,753	1,399,508	210,555	343,691	363,372	8,585,339	-	8,585,339
Total Income	23,878,141	1,694,726	5,231,491	(145,920)	1,944,426	344,668	5,217,357	38,164,889	-	38,164,889
Segment direct expenses	11,005,975	677,706	944,187	166,930	2,219,912	310,135	3,957,192	19,282,037	-	19,282,037
Inter segment expense allocation	-	-	-	-	-	-	-	-	-	-
Total expenses	11,005,975	677,706	944,187	166,930	2,219,912	310,135	3,957,192	19,282,037	-	19,282,037
Provisions	(78,764)	(27,876)	(437,665)	1,600,028	149,669	-	(297,893)	907,499	-	907,499
Profit before tax	12,950,930	1,044,896	4,724,969	(1,912,878)	(425,155)	34,533	1,558,058	17,975,353	-	17,975,353
Unaudited half year ended June 30, 2019										
Cash & Bank balances	63,665,547	45,941	21,707,666	65,583,941	11,731,710	23,171	1,477,132	164,235,108	-	164,235,108
Investments	-	-	19,884,290	761,474,854	18,035,907	991,522	3,489,388	803,875,961	-	803,875,961
Net inter segment lending	923,838,560	-	-	1,967,120	5,086,664	-	136,672,109	1,060,510,669	(1,060,510,669)	-
Lendings to financial institutions	-	-	137,879	-	-	-	-	1,791,663	-	7,191,663
Advances - performing	111,193,769	25,150,547	371,209,347	-	59,410,126	-	408,330	567,372,119	-	567,372,119
Advances - non performing	1,201,350	48,590	5,088,445	-	392,468	-	251,240	6,982,093	-	6,982,093
Others	48,836,989	1,818,151	22,507,342	7,865,536	11,235,388	998,101	27,206,545	120,468,052	-	120,468,052
Total Assets	1,148,736,215	27,063,229	440,534,969	836,891,451	105,892,263	2,012,794	169,504,744	2,730,635,665	(1,060,510,669)	1,670,124,996
Borrowings	39,337,193	-	10,193,676	131,821,973	5,718,579	-	517,005	187,588,426	-	187,588,426
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deposits & other accounts	1,057,971,088	107,257	90,526,704	-	83,205,434	-	4,917	1,231,815,400	-	1,231,815,400
Net inter segment borrowing	-	24,862,817	321,379,600	703,072,144	9,738,625	1,457,483	-	1,060,510,669	(1,060,510,669)	-
Others	51,427,934	2,093,155	18,434,989	1,997,334	7,229,625	555,311	16,830,812	98,569,160	-	98,569,160
Total liabilities	1,148,736,215	27,063,229	440,534,969	836,891,451	105,892,263	2,012,794	173,352,734	2,578,483,655	(1,060,510,669)	1,517,972,986
Equity	-	-	-	-	-	-	152,152,010	152,152,010	-	152,152,010
Total Equity & liabilities	1,148,736,215	27,063,229	440,534,969	836,891,451	105,892,263	2,012,794	169,504,744	2,730,635,665	(1,060,510,669)	1,670,124,996
Contingencies & Commitments	105,261,283	-	221,977,332	295,319,909	16,910,962	-	22,653,196	662,122,682	-	662,122,682
Unaudited half year ended June 30, 2018										
Retail Banking	Consumer banking	Corporate Banking	Treasury	Islamic Banking	Asset Management	others	Sub-total	Eliminations	Total	
Rupees in '000										
Profit & Loss										
Net mark-up/return/profit	(7,371,864)	1,096,281	9,552,509	19,341,525	667,680	894	37,529	23,324,554	-	23,324,554
Inter segment revenue - net	21,427,256	(285,144)	(6,955,080)	(16,483,792)	-	-	2,296,760	-	-	-
Non mark-up / return / interest income	3,467,674	830,615	1,934,266	2,280,522	194,217	377,753	45,195	9,130,242	-	9,130,242
Total Income	17,523,066	1,641,752	4,531,695	5,138,255	861,897	378,647	2,379,484	32,454,796	-	32,454,796
Segment direct expenses	10,803,209	706,640	818,616	156,502	1,176,083	240,021	5,073,982	18,975,053	-	18,975,053
Inter segment expense allocation	-	-	-	-	-	-	-	-	-	-
Total expenses	10,803,209	706,640	818,616	156,502	1,176,083	240,021	5,073,982	18,975,053	-	18,975,053
Provisions	(296,632)	(61,604)	(1,287,856)	(760,953)	253,306	-	(57,907)	(2,211,646)	-	(2,211,646)
Profit before tax	7,016,489	996,716	5,000,935	5,742,706	(567,492)	138,626	(2,636,591)	15,691,389	-	15,691,389
Audited December 31, 2018										
Cash & Bank balances	49,001,673	33,515	17,486,827	46,395,674	8,413,070	28,204	2,144,160	123,503,123	-	123,503,123
Investments	-	-	18,505,331	722,207,238	12,713,954	959,252	-	754,385,775	-	754,385,775
Net inter segment lending	838,293,767	-	-	32,972,346	4,675,000	-	137,396,563	975,690,330	(975,690,330)	-
Lendings to financial institutions	-	-	1,502,544	-	-	-	-	39,149,890	-	39,149,890
Advances - performing	121,784,772	22,525,967	352,258,545	-	62,897,196	-	303,738	559,770,218	-	559,770,218
Advances - non performing	1,214,697	39,757	5,728,381	-	10,179	-	29,033	7,022,047	-	7,022,047
Others	31,327,269	1,887,934	18,828,346	8,127,064	5,434,142	1,114,256	34,659,943	101,378,954	-	101,378,954
Total Assets	1,041,622,178	24,487,173	414,309,974	809,702,322	94,143,541	2,101,712	174,533,437	2,560,900,337	(975,690,330)	1,585,210,007
Borrowings	35,293,396	-	9,172,202	170,542,175	7,800,628	-	407,714	223,216,115	-	223,216,115
Subordinated debt	-	-	-	-	-	-	-	3,891,019	-	3,891,019
Deposits & other accounts	969,799,371	16,556	79,196,248	-	73,269,994	-	24,366	1,122,306,535	-	1,122,306,535
Net inter segment borrowing	-	22,478,042	307,402,415	634,247,181	10,106,876	1,455,816	-	975,690,330	(975,690,330)	-
Others	36,529,411	1,992,575	18,539,109	4,912,966	2,966,043	645,896	18,887,459	84,473,459	-	84,473,459
Total liabilities	1,041,622,178	24,487,173	414,309,974	809,702,322	94,143,541	2,101,712	23,210,558	2,409,577,458	(975,690,330)	1,433,887,128
Equity	-	-	-	-	-	-	151,322,879	151,322,879	-	151,322,879
Total Equity & liabilities	1,041,622,178	24,487,173	414,309,974	809,702,322	94,143,541	2,101,712	174,533,437	2,560,900,337	(975,690,330)	1,585,210,007
Contingencies & Commitments	111,974,609	-	204,311,803	247,754,264	19,756,379	-	18,540,432	602,337,487	-	602,337,487

37.2 Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates. Furthermore, segment assets and liabilities include inter segment balances. Costs which are not allocated to segments are included in the Head office.

38 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, employee benefit plans, its directors and key management personnel and their close family members.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. 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 during the period, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements are as follows:

	Unaudited June 30, 2019				Audited December 31, 2018			
	Directors	Key Management Personnel	Associates	Other Related Parties	Directors	Key Management Personnel	Associates	Other Related Parties
(Rupees in '000)								
Balances with other banks								
In current accounts	-	-	-	20,933	-	-	-	-
	-	-	-	20,933	-	-	-	-
Investments								
Opening balance	-	-	3,959,039	254,253	-	-	4,385,602	254,253
Share of profit for the period / year before tax	-	-	192,632	-	-	-	446,121	-
Dividend from associate	-	-	(105,000)	-	-	-	(140,000)	-
Share of tax	-	-	(83,184)	-	-	-	(208,759)	-
Share of other comprehensive income	-	-	(13,939)	-	-	-	(222,761)	-
Disposal during the period / year	-	-	-	-	-	-	(301,164)	-
Closing balance	-	-	3,949,548	254,253	-	-	3,959,039	254,253
Provision for diminution in value of investments	-	-	-	5,000	-	-	-	5,000
Advances								
Opening balance	658	141,390	-	1,050,277	946	84,167	-	2,324,608
Addition / exchange adjustment during the period/ year	18,358	16,451	-	1,624,254	14,723	73,571	-	6,640,565
Repaid during the period/ year	(14,868)	(26,209)	-	(1,392,964)	(15,011)	(39,288)	-	(7,357,817)
Transfer in / (out)	-	(5,109)	-	(794,018)	-	22,940	-	(557,079)
Closing balance	4,148	126,523	-	487,549	658	141,390	-	1,050,277
Provision held against advances	-	-	-	-	-	-	-	-

	Unaudited June 30, 2019				Audited December 31, 2018			
	Directors	Key Management Personnel	Associates	Other Related Parties	Directors	Key Management Personnel	Associates	Other Related Parties
(Rupees in '000)								
Other Assets								
Markup receivable	-	3,807	-	4,670	-	3,101	-	25,538
Advances, deposits, advance rent and other prepayments	-	-	32,430	31,943	-	-	86,579	30,620
Acceptances	-	-	-	76,092	-	-	-	25,387
Receivable from Pension Fund	-	-	-	3,151,571	-	-	-	3,815,170
Provision held against other assets	-	-	-	-	-	-	-	-
Borrowings								
Opening balance	-	-	-	-	-	-	-	993,755
Borrowings / exchange adjustment during the period/ year	-	-	-	73,475	-	-	-	-
Settled during the period/ year	-	-	-	-	-	-	-	(993,755)
Closing balance	-	-	-	73,475	-	-	-	-
Deposits and other accounts								
Opening balance	3,745,457	168,528	3,339,847	3,212,620	3,953,730	148,080	2,744,432	3,800,959
Received during the period/ year	3,002,522	557,337	7,694,896	46,241,868	4,259,454	849,270	17,580,902	55,702,326
Withdrawn during the period/ year	(6,038,390)	(467,400)	(8,434,682)	(44,869,755)	(4,457,255)	(851,481)	(16,985,487)	(56,301,430)
Transfer in / (out) - net	(7,280)	(53,028)	-	(12,895)	(10,472)	22,659	-	10,765
Closing balance	702,309	205,437	2,600,061	4,571,838	3,745,457	168,528	3,339,847	3,212,620
Other Liabilities								
Markup payable	7,207	580	26,574	49,011	32,342	282	15,968	36,943
Accrued expenses and other payable	6,892	-	75,558	70	7,299	-	78,922	884
Unrealized loss on forward foreign exchange contracts - outstanding	-	-	-	1,447	-	-	-	-
Contingencies and Commitments								
Commitments and contingent liabilities - outstanding	-	-	10,515	926,168	-	-	10,227	4,374,481
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	4,128,438	-	-	-	-

RELATED PARTY TRANSACTIONS

	Unaudited half year ended June 30, 2019				Unaudited half year ended June 30, 2018			
	Directors	Key Management Personnel	Associates	Other Related Parties	Directors	Key Management Personnel	Associates	Other Related Parties
	(Rupees in '000)							
Income								
Markup / return / interest earned	-	7,247	-	10,578	38	4,706	-	38,835
Fee and commission income	-	-	582,985	9,314	-	-	560,633	2,992
Dividend income	-	-	-	6,800	-	-	-	6,800
Share of profit of associates	-	-	199,907	-	-	-	357,513	-
Gain on forward foreign exchange contracts matured during the period	-	-	-	17,522	-	-	-	286,156
Net (loss) / gain on sale of securities	-	-	(70)	3,265	-	-	51	40,168
Gain on sale of fixed assets	-	116	-	-	-	23	-	-
Rent income and reimbursement of other expenses	-	-	4,931	2,025	-	-	1,838	1,620
Expense								
Markup / return / interest expensed	91,046	789	91,479	171,011	82,674	729	42,053	97,644
Other Operating expenses								
Clearing expenses paid to NIFT	-	-	-	72,992	-	-	-	78,554
Contribution to provident fund	-	-	-	184,476	-	-	-	179,089
Rent expenses	-	-	-	18,640	-	-	-	27,403
Cash sorting expenses	-	-	-	80,647	-	-	-	38,843
Stationery expenses	-	-	-	131,995	-	-	-	122,592
Security guards expenses	-	-	-	189,657	-	-	-	204,546
Remuneration to key executives and non-executive directors fee	96,692	282,546	-	-	87,883	283,076	-	-
Outsourcing service expenses	-	-	117,432	-	-	-	96,672	-
E-dividend processing fee and CDC charges	-	-	-	3,368	-	-	-	2,920
Travelling Expenses	-	-	-	13,934	-	-	-	15,166
Hotel stay expenses	-	-	-	784	-	-	-	13,839
Repair & Maintenance Charges	-	-	-	-	-	-	-	1,585
Advertisement Expenses	-	-	-	5,220	-	-	-	-
Miscellaneous expenses and payments	-	-	-	10	-	-	-	3,960
Insurance premium-net of refund	-	-	371,783	-	-	-	356,503	10
Insurance claim settled	-	-	46,814	-	-	-	196,563	-
Other Transactions								
Proceeds from sale of fixed assets	-	116	-	-	1,999	3,149	-	-
Purchase of fixed assets	-	-	26,373	20,003	-	-	9,687	-
Sale of government securities	42,438	39,782	2,346,615	9,916,427	-	20,375	2,349,879	168,382,343
Purchase of government securities	-	24,980	2,474,320	5,826,379	-	19,993	2,544,892	172,064,634
Forward exchange contracts matured during the period	-	-	-	9,630,628	-	-	-	57,476,979

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

Unaudited
June 30, 2019
Audited
December 31,
2018
-----Rupees in '000-----

39 CAPITAL ADEQUACY , LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

39.1 Capital Adequacy

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

11,850,600 11,850,600

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

125,852,194 125,999,355

Eligible Additional Tier 1 (ADT 1) Capital

- -

Total Eligible Tier 1 Capital

125,852,194 125,999,355

Eligible Tier 2 Capital

17,354,026 17,503,483

Total Eligible Capital (Tier 1 + Tier 2)

143,206,220 143,502,838

Risk Weighted Assets (RWAs):

Credit Risk

673,329,631 666,892,937

Market Risk

76,449,192 59,642,582

Operational Risk

116,673,450 116,673,450

Total

866,452,273 843,208,969

Common Equity Tier 1 Capital Adequacy ratio

14.53% 14.94%

Tier 1 Capital Adequacy Ratio

14.53% 14.94%

Total Capital Adequacy Ratio

16.53% 17.02%

39.2 Leverage Ratio (LR):

Eligible Tier-1 Capital

125,852,194 125,999,355

Total Exposures

1,985,199,326 1,927,024,025

Leverage Ratio

6.34% 6.54%

39.3 Liquidity Requirements

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

698,754,531 625,831,686

Total Net Cash Outflow

368,392,008 355,738,136

Liquidity Coverage Ratio

189.68% 175.92%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

1,024,848,911 952,851,382

Total Required Stable Funding

749,954,203 730,504,652

Net Stable Funding Ratio

136.65% 130.44%

40 ISLAMIC BANKING BUSINESS

The Group through a wholly owned subsidiary (MCB Islamic Bank Limited) is operating 177 branches in Pakistan (December 31, 2018: 176 branches). The statement of financial position of the Group's Islamic Banking Business as at June 30, 2019 is as follows:

June 30, 2019 is as follows:

	Note	Unaudited June 30, 2019	Audited December 31, 2018
-----Rupees in '000-----			
ASSETS			
Cash and balances with treasury banks		10,235,212	6,990,369
Balances with other banks		1,496,498	1,422,701
Due from financial institutions	40.1	5,086,664	4,675,000
Investments - net	40.2	18,035,907	12,713,954
Islamic financing and related assets - net	40.3	59,802,594	62,907,204
Fixed assets		5,343,922	2,619,980
Intangible assets		564,879	524,791
Deferred tax assets - net		997,898	751,065
Other assets - net		5,326,587	2,258,686
Total Assets		106,890,161	94,863,750
LIABILITIES			
Bills payable		1,091,032	1,303,992
Due to financial institutions		5,718,579	7,800,628
Deposits and other accounts	40.4	83,205,434	73,307,185
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities - net		-	-
Other liabilities		7,136,491	2,382,431
		97,151,536	84,794,236
		9,738,625	10,069,514
NET ASSETS			
REPRESENTED BY			
Share capital		11,200,000	11,200,000
Reserves		26,444	26,444
Surplus on revaluation of assets - net of tax		77,329	132,272
Accumulated loss		(1,565,148)	(1,289,202)
		9,738,625	10,069,514

CONTINGENCIES AND COMMITMENTS

40.5

The profit and loss account of the Group's Islamic banking branches for the half year ended June 30, 2019 is as follows:

	Note	Quarter ended June 30, 2019	Half Year ended June 30, 2019	Quarter ended June 30, 2018	Half Year ended June 30, 2018
		-----Rupees in '000-----			
Profit / return earned	40.6	2,373,725	4,368,617	853,439	1,578,157
Profit / return expensed	40.7	1,398,120	2,634,746	511,445	910,477
Net Profit / return		975,605	1,733,871	341,994	667,680
Other income					
Fee and Commission Income		75,544	141,152	30,833	53,193
Dividend Income		32,582	44,007	28,893	41,519
Foreign Exchange Income		38,574	59,089	47,483	78,721
(loss) / Gain on securities		(10,268)	(43,077)	15,668	15,668
Other Income		4,336	9,402	2,524	5,116
Total other income		140,768	210,573	125,401	194,217
Total Income		1,116,373	1,944,444	467,395	861,897
Other expenses					
Operating expenses		1,098,427	2,219,887	712,303	1,176,083
Workers Welfare Fund		-	-	-	-
Other charges		(34)	43	-	-
Total other expenses		1,098,393	2,219,930	712,303	1,176,083
Profit / (loss) before provisions		17,980	(275,486)	(244,908)	(314,186)
Provisions and write offs - net		112,172	149,669	252,768	253,306
Loss before taxation		(94,192)	(425,155)	(497,676)	(567,492)
Taxation		(78,206)	(148,787)	(172,700)	(197,135)
Loss after taxation		(15,986)	(276,368)	(324,976)	(370,357)

	Note	Unaudited June 30, 2019	Audited December 31, 2018
		-----Rupees in '000-----	
40.1 DUE FROM FINANCIAL INSTITUTIONS			
Secured			
Bai Muajjal receivable - with State Bank of Pakistan	40.1.1	3,371,664	-
Unsecured			
Musharaka arrangements	40.1.2	1,715,000	4,675,000
		5,086,664	4,675,000

40.1.1 The includes average return of 10.34% per annum (December 31, 2018: Nil) having maturity at February 07, 2020 (December 31, 2018: Nil).

40.1.2 This represents Musharaka arrangements with banks carrying profit at expected rates ranging from 8.00% to 11.00% per annum (December 31, 2018: 9.25% to 9.55% per annum) and having maturity till April 05, 2019.

	Unaudited June 30, 2019					Audited December 31, 2018				
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/ Amortised cost	Provision for diminution
Rupees in '000										
Available-for-sale securities										
Federal Government securities	12,502,008	-	(81,909)	12,420,099	8,452,080	-	(41,163)	8,410,917	8,452,080	-
Shares	2,053,042	1,019,186	(85,896)	947,960	1,831,580	881,903	(43,325)	906,352	1,831,580	881,903
Non Government securities	1,273,167	-	3,854	1,277,021	1,427,333	-	4,416	1,431,749	1,427,333	-
	15,828,217	1,019,186	(163,951)	14,645,080	11,710,993	881,903	(80,072)	10,749,018	11,710,993	881,903
Held-to-maturity securities										
Federal Government securities	2,700,827	-	-	2,700,827	1,159,936	-	-	1,159,936	1,159,936	-
Non Government securities	690,000	-	-	690,000	805,000	-	-	805,000	805,000	-
	3,390,827	-	-	3,390,827	1,964,936	-	-	1,964,936	1,964,936	-
Total Investments	19,219,044	1,019,186	(163,951)	18,035,907	13,675,929	881,903	(80,072)	12,713,954	13,675,929	881,903

40.2 Investments by type:

Available-for-sale securities
Federal Government securities
Shares
Non Government securities

Held-to-maturity securities
Federal Government securities
Non Government securities

Total Investments

	Unaudited June 30, 2019		Audited December 31, 2018	
	Rupees in '000		Rupees in '000	
Islamic financing and related assets	12,251,602	17,097,127	12,251,602	17,097,127
Murabaha	2,862,161	1,793,878	2,862,161	1,793,878
Istisna	81,820	4,118	81,820	4,118
Salam	4,955,576	4,269,903	4,955,576	4,269,903
Ijarah	19,234,729	19,441,575	19,234,729	19,441,575
Running Musharaka	19,092,592	19,057,417	19,092,592	19,057,417
Diminishing Musharaka	1,351,319	1,258,046	1,351,319	1,258,046
Staff finance	59,829,799	62,922,064	59,829,799	62,922,064
Gross Islamic financing and related assets	(1,338)	(758)	(1,338)	(758)
Less: provision against Islamic financings	(25,867)	(14,102)	(25,867)	(14,102)
- Specific	(27,205)	(14,860)	(27,205)	(14,860)
- General	59,802,594	62,907,204	59,802,594	62,907,204

40.3 Islamic financing and related assets

Murabaha
Istisna
Salam
Ijarah
Running Musharaka
Diminishing Musharaka
Staff finance
Gross Islamic financing and related assets
Less: provision against Islamic financings
- Specific
- General
Islamic financing and related assets - net of provision

40.4 Deposits

Customers

Current deposits
Savings deposits
Term deposits

Financial Institutions

Current deposits
Savings deposits
Term deposits

40.5 Contingencies and Commitments

-Guarantees
-Commitments
-Other contingent liabilities

40.6 Profit/Return Earned of Financing, Investments and Placement

Profit earned on:
Financing
Investments
Musharaka arrangements with financial institutions
Deposits with financial institutions

40.7 Profit on Deposits and other Dues Expensed

Deposits and other accounts
Musharaka arrangements with the State Bank of Pakistan under IERS
Musharaka arrangements with other financial institutions
Musharaka arrangements with other institution
Unwinding of liability against ROU asset

40.8 Islamic Banking Business Unappropriated Profit

Opening Balance
Movement during the period / year
Add: Islamic Banking loss for the period / year
Less: Taxation
Add: Reserves
Closing Balance

	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees in '000	
Customers		
Current deposits	24,704,421	22,098,366
Savings deposits	35,479,487	31,340,514
Term deposits	8,206,916	5,144,378
	3,831,810	3,690,026
	72,222,634	62,273,284
Financial Institutions		
Current deposits	1,163,102	74,372
Savings deposits	5,164,803	5,885,028
Term deposits	4,654,895	5,074,501
	10,982,800	11,033,901
	83,205,434	73,307,185
Contingencies and Commitments		
-Guarantees	4,653,728	3,092,537
-Commitments	11,831,414	16,238,022
-Other contingent liabilities	425,820	425,820
	16,910,962	19,756,379
Profit/Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	3,350,478	1,212,668
Investments	764,931	278,603
Musharaka arrangements with financial institutions	226,331	52,576
Deposits with financial institutions	26,877	34,310
	4,368,617	1,578,157
Profit on Deposits and other Dues Expensed		
Deposits and other accounts	2,133,260	570,796
Musharaka arrangements with the State Bank of Pakistan under IERS	24,534	10,755
Musharaka arrangements with other financial institutions	311,347	328,926
Musharaka arrangements with other institution	2,064	-
Unwinding of liability against ROU asset	163,541	-
	2,634,746	910,477
Islamic Banking Business Unappropriated Profit		
Opening Balance	(1,289,202)	(194,065)
Movement during the period / year		
Add: Islamic Banking loss for the period / year	(425,155)	(1,680,213)
Less: Taxation	(148,787)	(584,231)
Add: Reserves	422	845
	(275,946)	(1,095,137)
Closing Balance	(1,565,148)	(1,289,202)



41 EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on August 07, 2019 has announced a cash dividend in respect of half year ended June 30, 2019 of Rs. 4.00 per share (June 30, 2018: Rs. 4.00 per share). These consolidated condensed interim financial statements for the period ended June 30, 2019 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

42 GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

43 DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Group in their meeting held on August 07, 2019.


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer


Mian Umer Mansha
Director


Salman Khalid Butt
Director


Iqraa Hassan Mansha
Director