



Bank for Life

HALF YEARLY REPORT

JUNE 30, 2020

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

Audit Committee

Mr. Shahzad Hussain	Chairman
Mian Umer Mansha	Member
Mr. Muhammad Ali Zeb	Member
Mr. Shariffuddin bin Khalid	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 Siddique Trade Centre, Office No. PL-29, PL Floor, 72 Main Boulevard Gulberg -2, 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, 2020.

Introduction

During H1 2020, MCB accelerated its business momentum while overcoming the challenges posed by the COVID-19 pandemic which had an adverse impact on the economic growth the world over, including Pakistan. Following the breakout of the Covid-19 pandemic, MCB has taken all necessary steps to ensure continued and uninterrupted services to our customers in a safe environment. The State Bank of Pakistan has taken a host of measures to dilute the impact of the pandemic, including cuts in interest rates, refinance schemes for continued payment of wages and salaries, ease in debt burden ratio, rescheduling/ restructuring of financing facilities, etc.

The risks and related measures adopted by the Bank to mitigate the impact associated with the outbreak of COVID-19 are detailed in note 6 of the unconsolidated financial statements.

Performance Review

Profit Before Taxation

Taxation

Profit After Taxation

Un-appropriated Profit Brought Forward

Remeasurement loss on defined benefit obligations - net of tax

Transfer in respect of incremental depreciation from surplus on

revaluation of fixed assets to unappropriated profit - net of tax

Profit Available for Appropriation

Appropriations:

Statutory Reserve

Final Cash Dividend at Rs. 5.0 per share - December 2019

Interim Cash dividend at Rs. 5.0 per share - March 2020

Total Appropriations

Un-appropriated Profit Carried Forward

Rs. in Million

	22,254
	9,045
	13,209
	55,778
	(1,739)
	45
	54,084
	67,293
	1,321
	5,925
	5,925
	13,171
	54,122

With strong build up in core earnings, MCB reported a profit after tax (PAT) of Rs. 13.2 billion which is up by a significant 24%, when mapped against corresponding period last year. This performance translated to Earnings Per Share (EPS) of Rs 11.15 for H1'20 (H1'19: Rs 9.01).

The Bank's net interest income for the period increased by 30% to Rs 36.01 billion. This was achieved through generation of current accounts and timely investment in the interest earning assets. The strategic shift in the maturity profiling of the investment base from short term to long term supplemented the net interest margin growth.

On the operating expenses side (excluding pension fund reversal), despite the surge in inflationary pressures and increased operational and infrastructural outreach, the Bank was able to contain the growth in administrative expenses and reported a net decrease of Rs. 138 million versus last year, with the cost to income ratio improving from 46.1 percent in H1'19 to 38.0 percent in H1'20. This was achieved through a strategic cost efficiency drive initiated in 2019 ensuring delivery through well-defined tactical plans.

The stock market has responded to the COVID-19 pandemic with worrying volatility; resultantly, Bank has recorded a charge of Rs. 1.3 billion against equity investment portfolio. With respect to advances, the full potential effect of the economic stress posed by the COVID-19 outbreak remains difficult to predict, therefore management has exercised prudence and booked General Provision of Rs 4.0 billion during the half year ended June 30, 2020, providing insulation and loss absorption capacity in case of any unforeseen deterioration in asset quality.

On the financial position side, the total asset base of the Bank on unconsolidated basis was reported at Rs. 1.67 trillion depicting an increase of 10% over December 2019. Analysis of the asset mix highlights that net investments increased by Rs. 180 billion (24%) whereas gross advances decreased by Rs 32 billion (-6%) over December 2019.



The Non-performing loan (NPLs) base of the Bank recorded an increase of Rs. 939 million and was reported at Rs. 50.4 billion. The increase was primarily on account of currency devaluation impact of foreign currency denominated NPLs with no significant accretion in the number of cases. The Bank has not taken FSV benefit in calculation of specific provision and has increased its un-encumbered general provision reserve to Rs. 4.5 billion. The coverage and infection ratios of the Bank were reported at 94.02% and 9.91% respectively.

On the liabilities side, the deposit base of the Bank registered an unprecedented increase of Rs. 129.92 billion (+11%) over December 2019, with over 50% growth from current accounts, improving the current account mix to 39.0% and CASA ratio to 94.2%.

Return on Assets and Return on Equity improved to 1.66% and 18.16% respectively, whereas book value per share was reported at Rs. 122.93.

While complying with the regulatory capital requirements, the Bank's total Capital Adequacy Ratio is 20.51% against the requirement of 11.50% (including capital conservation buffer of 1.50% as reduced under the BPRD Circular Letter No. 12 of 2020). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 15.23% against the requirement of 6.00%. Bank's capitalization also resulted in a leverage ratio of 6.72% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 227.51% and Net Stable Funding Ratio (NSFR) of 174.47% against requirement of 100.

No dividend has been announced for the second quarter ended June 30, 2020 in compliance with State Bank of Pakistan letter no. BPRD/BA&CPD/006315-2/20 dated 22 April, 2020. The first Interim Cash Dividend has already been paid at Rs.5.0 per share i.e. 50% for the quarter ended March 31, 2020.

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 26, 2020.

Economy Review

Pakistan started the year 2020 on a positive note as the tough economic measures taken by the government since the commencement of its tenure in 2018 started bearing fruit. However, the country was hit by the Covid-19 pandemic in March which led to the deterioration of the macroeconomic variables in the second quarter.

Pressure on the external account started building in March when the foreign exchange reserves of the country declined from approximately \$18bn at the start of the year to \$16.7bn mainly due to the external debt repayments. Moreover, foreign investors divested a major portion of their investments in government debt instruments under SCRA due to the uncertain economic conditions prevailing at the international and domestic front amid the Coronavirus pandemic. However, Pakistan was able to secure a loan worth \$1.4bn from IMF right in time under the IMF's Rapid Financing Instrument facility to support its reserves. Moreover, inflows received from multilateral sources, including WB, ADB and AIIB, during June also helped to reduce some of the pressure on the external account. Another development that lent support to the economy under these unprecedented times was the debt relief initiative taken by the G-20 countries. According to the WB estimates, Pakistan is expected to get a debt relief worth \$2.7bn valid till December, 2020 under the World Bank's Debt Service Suspension Initiative.

Moving on to the current account, Pakistan's exports took a larger hit as compared to the imports and declined by 18.4% during Jan-Jun FY20 as compared to the same period last year. Imports, on the other hand, declined by 16.8% despite a significant drop in international oil prices. However, current account deficit still showed a contraction of 79% due to growth in remittances.

In spite of the dollar inflows received by the State Bank and the contracting current account deficit, the USDPKR parity remained largely volatile. The Rupee started the year against the dollar at PKR 154.8476. However, it depreciated by 8.5% during the six month period before closing at PKR 168.0506.

Meanwhile, Inflation dropped to 8.59% in June after touching a high of 14.6% in January, 2020. The drop in inflation was observed due to the high base impact and the decline in demand as major parts of the economy went under lockdown.

As regards to Pakistani stock markets, the KSE-100 tumbled down to 27,229 in March after starting the year near 42,000 as the government took stringent measures to control the spread of the coronavirus in the economy. However, the index picked up again in the second quarter of the year as businesses reopened and closed the half year at 34,422.

On the fiscal side, the situation deteriorated during the last quarter of FY20 as revenue collection declined. Moreover, the government announced a relief package worth PKR 1.2 trillion, which led to an increase in the government expenditure, to combat the impact of Covid-19 on the economy. Consequently, the fiscal deficit which was initially projected to be 7.1% of GDP clocked-in at 9.1% according to the provisional figures released by the Ministry of Finance.

Future Outlook

Pakistan's economy was hit by the Covid-19 crisis at a time when it started moving towards stabilization and had to bear the brunt of the pandemic like various other economies across the globe. Moving forward, as the economy opens up, the demand is expected to pick up. However, growth will remain subdued due to the lasting impact of the virus on different sectors of the economy. On the external front, the challenge for the government remains to increase its exports as the international market recovers from the effects of the lockdown. Moreover, the expected decline in remittances due to the recent lay-offs in GCC countries will put pressure on the external front. Towards the fiscal side, the highly optimistic tax revenue target set in the budget will pose another challenge for the government. However, it's imperative that the government takes measures to meet its tax revenue target to restart the IMF program which is currently at halt.

In short, pressures arising from both the internal and external side will have to be closely watched to avoid any critical situation moving forward.

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 20, 2020



Muhammad Ali Zeb
Director
MCB Bank Limited

پاکستان کو قرضوں کی ادائیگی میں ورلڈ بینک کے ڈیٹ سروس سسپنشن انیٹیٹیو (Debt Service Suspension Initiative) کے تحت دسمبر 2020 تک 2.7 بلین امریکی ڈالر تک کی آسانی متوقع ہے۔

کرنٹ اکاؤنٹ کی طرف آتے ہوئے، پاکستان کی برآمدات میں درآمدات کے مقابلہ سے زیادہ بڑے اثرات دیکھے گئے جو کہ مالی سال 2020ء کے جنوری تا جون کے عرصہ میں گزشتہ سال کے اسی عرصہ کے حجم کے تناسب میں 18.4 فیصد کمی کا شکار ہوئیں۔ دوسری طرف درآمدات، تیل کی بین الاقوامی قیمتوں میں نمایاں کمی کے باوجود 16.8 فیصد کم ہوئیں۔ تاہم کرنٹ اکاؤنٹ کے خسارہ میں ترسیلات زر میں اضافے کی وجہ سے 79 فیصد تک کمی کا رجحان جاری رہا۔

اسٹیٹ بینک آف پاکستان کی جانب سے ڈالر کی جاری وصولیوں اور مختصر ہوتے کرتھ اکاؤنٹ خسارے کے باوجود پاکستان روپے کی امریکی ڈالر کے مقابلے میں شرح تبادلہ میں طیران پذیری کا عنصر برقرار رہا۔ پاکستانی روپے نے ڈالر کے مقابلے میں سال کا آغاز 154.8476 روپے فی ڈالر پر کیا، تاہم 168.0506 روپے فی ڈالر کی سطح پر پہنچنے سے پہلے، چھ ماہ کے دوران اس کی شرح میں 8.5 فیصد کمی فرسودگی ہوئی۔

دیں اثناء، افراط زر جنوری 2020ء میں 14.6 فیصد کی بلند شرح کو کھونے کے بعد جون میں کم ہوتے ہوئے 8.59 فیصد کی شرح پر درج ہوا۔ افراط زر میں کمی کی وجہ کے بنیادی عوامل میں گزشتہ عرصہ میں افراط زر کے اتار چڑھاؤ (ہائی بیس ایمپیکٹ - High Base Impact) اور معیشت کے اہم حصوں میں لاک ڈاؤن کے باعث اشیاء کی طلب میں کمی دیکھی گئی۔

پاکستانی اسٹاک مارکیٹ کے حوالہ سے کے ایس ای (KSE-100) انڈیکس سال کے آغاز میں تقریباً 42,000 پوائنٹس کے بعد حکومت کی جانب سے معیشت پر کرونا وائرس کے مضر اثرات کے ازالے کے لیے اٹھائے گئے کڑے اقدامات کے باعث مارچ تک کم ہوتے ہوئے 27,229 پوائنٹس تک پہنچ گیا۔ تاہم سال کی دوسری سہ ماہی میں کاروباری سرگرمیوں کی بحالی سے انڈیکس میں دوبارہ بڑھوتی دیکھی گئی اور نصف سال کے اختتام پر یہ 34,422 پوائنٹس پر بند ہوا۔

مالیاتی حوالہ سے، مالی سال 2020ء کے آخری سہ ماہی میں آمدنی کی وصولیوں میں کمی کی بدولت صورتحال مزید ابتر ہو گئی۔ مزید برآں، حکومت نے کووڈ-19 کے معیشت پر اثرات کو کم کرنے کے لئے 1.2 ٹریلین روپے کے ریلیف پیکیج کا اعلان بھی کیا۔ جس سے حکومت کے اخراجات میں اضافہ درج ہوا۔ چنانچہ وزارت خزانہ کے جاری کردہ عارضی اعداد و شمار کے مطابق مالی خسارہ، جس کے ابتدائی تخمینہ کو جی ڈی پی کے 7.1 فیصد پر توقع کیا گیا تھا، بڑھتا ہوا 9.1 فیصد کی شرح پر پہنچ گیا۔

مستقبل کی پیش بینی

پاکستان کی معیشت پر کووڈ-19 کے بحران نے اس وقت ضرب لگائی جب وہ استحکام کی جانب گامزن ہونا شروع ہوئی تھی۔ اور دنیا کے دیگر ممالک کی طرح پاکستان کو بھی اس عالمگیر وباء کی تکلیف کو سہنا پڑا۔ مستقبل میں جیسے جیسے معیشت بحال ہوتی جائے گی طلب میں اضافہ کی توقع ہے۔ تاہم اس وائرس کے مختلف شعبوں پر درپا اثرات کی وجہ سے شرح نمو میں کمی کا رجحان برقرار ہے گا۔ بیرونی محاذ پر بین الاقوامی مارکیٹوں کی لاک ڈاؤن کے اثرات سے بحالی کے ساتھ ہی حکومت پر اپنی برآمدات میں اضافہ کرنے کا چیلنج برقرار ہے گا۔ مزید یہ کہ جی سی سی ممالک میں ملازمتوں کے بند ہونے کے حالیہ سلسلے کی وجہ سے افرادی ترسیلات زر میں متوقع کمی بیرونی محاذ پر دباؤ کا باعث ہوگی۔ مالیاتی حوالہ سے، بجٹ میں ٹیکس کی وصولیوں کے ایک بلند ہدف کا حصول بھی حکومت کیلئے ایک مزید چیلنج ثابت ہوگا تاہم یہ امر ناگزیر ہے کہ حکومت اپنی ٹیکس کی آمدنی کے ہدف کے حصول کیلئے تمام ضروری اقدامات اٹھائے تاکہ آئی ایم ایف کے پروگرام کو دوبارہ شروع کیا جاسکے جو ابھی جمود کا شکار ہے۔ مختصر یہ کہ مستقبل میں کسی بھی نازک صورتحال سے بچنے کیلئے اندرونی اور بیرونی دونوں اطراف سے پیدا ہونے والے دباؤ پر کڑی نگاہ رکھنے کی ضرورت ہے۔

تحسین و تشکر

ایم سی بی بینک کے بورڈ آف ڈائریکٹرز، حکومت پاکستان، اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر انضامی اداروں کا اگلی جاری معاہدے کے لیے، بینک کے شیئر ہولڈرز اور صارفین کا اسکے بھرپور اعتماد کے لیے اور اپنے ملازمین کا اسکی مسلسل لگن اور مخلصانہ خدمات پر شکر یہ ادا کرتے ہیں۔

منجانب و برائے بورڈ آف ڈائریکٹرز

عمران مقبول

پریذیڈنٹ اور سی ای او
ایم سی بی بینک لمیٹڈ

20 اگست 2020ء

محمد علی زیب

ڈائریکٹر

ایم سی بی بینک لمیٹڈ

مشکل عمل ہے چنانچہ منجمنٹ نے دانائی کا مظاہرہ کرتے ہوئے 30 جون 2020ء کو اختتام پذیر ششماہی کے دوران 4 بلین روپے کی جنرل پروویژن کا اندراج کیا ہے تاکہ اثاثہ جات کے معیار میں کسی بھی ناگہانی تطہیر کا سدباب کیا جاسکے اور اس نقصان کو برداشت کرنے کی صلاحیت میں اضافہ کیا جاسکے۔

مالیاتی پوزیشن کی مد میں بینک کے کل اثاثہ جات کی اساس، غیر مجموعی بنیاد پر، دسمبر 2019 سے 10 فیصد کے اضافہ کے ساتھ 1.67 ٹریلین روپے پر ریکارڈ ہوئی۔ اثاثہ جات کی ترکیب کا جائزہ سے امر واضح ہوتا ہے کہ خالص سرمایہ کاری میں 180 بلین روپے (24%) کا اضافہ ہوا جبکہ کل قرضہ جات میں دسمبر 2019 کے مقابلہ میں 32 بلین روپے (6%) کی کمی درج ہوئی۔

بینک کے غیر فعال قرضہ جات 939 بلین روپے کے اضافہ کے ساتھ 50.4 بلین روپے پر رپورٹ کئے گئے۔ اس اضافہ کے بنیادی عوامل میں غیر ملکی کرنسی سے متعلقہ غیر فعال قرضوں پر پاکستانی روپے کی قدر میں کمی کے اثرات تھے جبکہ کھاتوں کی جملہ تعداد میں کوئی قابل ذکر اضافہ نہیں دیکھا گیا۔ بینک نے مخصوص اخراجات (پروویژن) کا شمار کرتے ہوئے جری فروخت (FSV) کے دستیاب فوائد کو شامل نہیں کیا اور اپنی بلا کفالت عمومی پروویژن کے ریزرو (general provision unencumbered) میں 4.5 بلین تک کا اضافہ کیا۔ بینک کی کوریج (Coverage) اور انفیکشن (Infection) کی شرح بالترتیب 94.02 فیصد اور 9.91 فیصد پر رپورٹ ہوئیں۔

واجبات کے حوالہ سے، بینک کے ڈیپازٹس کی اساس میں دسمبر 2019 کی نسبت 129.92 بلین روپے (+11%) کا اضافہ کے ساتھ کرنٹ اکاؤنٹ میں 50 فیصد سے زائد کی نمو کا اندراج کرتے ہوئے کرنٹ اکاؤنٹ کی ترکیب میں 39.0 فیصد اور کاسا (CASA) کا تناسب 94.2 فیصد تک بہتر کیا۔

اثاثہ جات کی آمدنی اور سرمائے کی آمدنی کی شرح بہتر ہوتے ہوئے بالترتیب 1.66 فیصد اور 18.16 فیصد پر درج ہوئیں جبکہ بک ویلیو 122.93 روپے فی شیئر پر رپورٹ ہوئی۔

سرمائے کے ضوابط کی تعمیل کرتے ہوئے بینک کے کل سرمائے کی معقولیت (کیپٹل ایڈیکویسی) 11.50 فیصد کی مطلوبہ شرح کی نسبت 20.51 فیصد پر رہی (جس میں 2020ء کے بی بی آرڈی (BPRD) سرکلر لیٹر نمبر 12 کے تحت سرمایہ کو تحفظ دینے کے لیے 1.50 فیصد کی تحلیل کی شرح شامل ہے)۔ سرمایہ کے اعلیٰ معیار کا اظہار بینک کی کامن ایکویٹی ٹائر I - Common Equity Tier - (CET) سے کل رسک ویٹڈ اسٹس (Risk Weighted Assets) کی شرح سے ہوتا جو کہ 6.00 فیصد کی مطلوبہ حد کے مقابلہ 15.23 فیصد کی شرح پر درج کی گئی۔ بینک کی کیپٹل سٹریٹج (Leverage) کی شرح بھی 3.0 فیصد کی ضوابط کی حد سے نمایاں اضافہ کے ساتھ 6.72 فیصد پر جانچی۔ بینک نے لیویڈٹی کوریج ریشو (LCR - Liquidity Coverage Ratio) کی شرح 227.51 فیصد اور نیٹ سٹیبل فنڈنگ ریشو (NSFR - Net Stable Funding Ratio) کو 100 کی مطلوبہ شرح کی نسبت 174.47 فیصد پر رپورٹ کیا۔

اسٹیٹ بینک آف پاکستان کے لیٹر # 2/20-CPD/006315-BPRD/BA بتاریخ 22 اپریل 2020ء کی تعمیل کرتے ہوئے بینک نے 30 جون 2020ء کو اختتام پذیر سرمایہ کے لیے کسی ڈیویڈنڈ کا اعلان نہیں کیا۔ 31 مارچ 2020ء کو اختتام پذیر سرمایہ کے لیے پہلے عبوری کیش ڈیویڈنڈ کی 5 روپے فی حصص یعنی 50 فیصد کی پیشتر ادائیگی کی جا چکی ہے۔

ریٹنگو:

پاکرا (PACRA) کے نوٹیفیکیشن بتاریخ 26 جون 2020ء کی بنیاد پر بینک، طویل اور قلیل مدت کی بالترتیب AAA اور A1+ کی بلند ترین کریڈٹ ریٹنگو کے مستفید ہو رہا ہے۔

معاشی جائزہ

پاکستان نے سال 2020ء کا آغاز مثبت طریقے سے کیا کیونکہ حکومت کی جانب سے سال 2018 سے اپنے دور کے آغاز سے ہی اٹھائے گئے کڑے اقدامات کے اثرات نظر آنا شروع ہو گئے ہیں۔ تاہم مارچ میں کووڈ-19 کی عالمگیر وباء کے حملہ سے دوسری سرمایہ کے دوران میکرو اکنامک عوامل میں تنزلی دیکھی گئی۔

بیرونی اکاؤنٹ پر دباؤ مارچ سے ہی بڑھنا شروع ہو گیا تھا جب غیر ملکی زرمبادلہ کے ذخائر کا حجم بیرونی قرضوں کی ادائیگی کے باعث سال کے شروع کی 18 بلین امریکی ڈالر کی سطح سے کم ہوتے ہوئے 16.7 بلین امریکی ڈالر تک جا پہنچا۔ مزید برآں، غیر ملکی سرمایہ کاروں نے کرونا وائرس کی عالمگیر وباء کے تناظر میں ملکی اور غیر ملکی دونوں محاذ پر پھیلی غیر یقین معاشی صورتحال کے باعث سیکرا (SCRA) کے ذریعے حکومتی تمکات میں کمی سرمایہ کاری کے بیشتر حصہ کو واپس کر لیا۔ تاہم پاکستان آئی ایم ایف سے اس کے ریپڈ فنڈنگ انسٹرومنٹ فیسلٹی (Rapid Financing Instrument Facility) کے تحت اپنے ذخائر کی بروقت مدد کیلئے 1.4 بلین امریکی ڈالر کا قرض حاصل کرنے میں کامیاب ہو گیا۔ علاوہ ازیں، کثیر اطراف ذرائع جن میں ورلڈ بینک (WB)، ایشیائی ڈویلپمنٹ بینک (ADB) اور ایشیائی انفراسٹرکچر انویسٹمنٹ بینک (AIIB) شامل ہیں، سے جن میں ملنے والی رقوم سے بیرونی اکاؤنٹ پر دباؤ کو قدرے کم کرنے میں مدد ملے گی۔ ایک مزید تبدیلی جس سے اس مشکل اور غیر مثالی وقت میں معیشت کو مدد فراہم ہوئی، وہ جی-20 ممالک کے قرض میں آسانی کے اقدام تھے۔ ورلڈ بینک کے تخمینوں کے مطابق

ڈائریکٹرز رپورٹ - جون 2020ء

بورڈ آف ڈائریکٹرز کی جانب سے ہم ایم سی بی بینک لمیٹڈ (ایم سی بی) کے 30 جون 2020ء کو اختتام پذیر ششماہی کے غیر مجموعی مختصر عبوری مالیاتی گوشواروں کا خلاصہ آپ کے سامنے پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

ابتدائیہ

سال 2020ء کی پہلی ششماہی کے دوران ایم سی بی نے کووڈ-19 کی عالمگیر وباء، جس نے پاکستان سمیت پوری دنیا کو شدید متاثر کیا ہے، سے درپیش چیلنجز کو نبھتے ہوئے، اپنے کاروبار کی رفتار میں مزید اضافہ کیا۔ کووڈ-19 کی عالمگیر وباء کے پھیلاؤ کے بعد بینک نے ایسے تمام اقدامات اٹھائے ہیں جن سے ایک محفوظ ماحول میں اپنے صارفین کو مسلسل اور بلا تھقل خدمات کی فراہمی کو یقینی بنایا جاسکے۔ اسٹیٹ بینک آف پاکستان نے اس عالمگیر وباء کے اثرات کو زائل کرنے کیلئے کئی اقدامات اٹھائے ہیں جن میں انٹرسٹ ریٹ میں کٹوتی، اجرت اور تنخواہوں کی جاری ادائیگی کیلئے قرض کی اسکیمیں، قرض کے دباؤ کو برداشت کرنے کے تناسب میں سہولت، قرضوں کی ری شیڈولنگ اور ری سٹرکچرنگ کی سہولتیں وغیرہ شامل ہیں۔

بینک کی جانب سے کووڈ-19 کے پھیلاؤ سے جڑے اثرات کو کم کرنے کیلئے اختیار کئے گئے رسک اور دیگر اقدامات کی تفصیل غیر مجموعہ مالیاتی اسٹیٹمنٹوں (گوشواروں) کے نوٹ 6 میں درج کی گئی ہیں۔

کارکردگی کا جائزہ

ملین روپے	منافع قبل از ٹیکس
22,254	منافع بعد از ٹیکس
9,045	افتتاحی غیر تخصیص شدہ منافع
13,209	ایسٹریٹیجیٹک پلان کی دوبارہ پیمائش سے نقصان (خالص از ٹیکس)
55,778	پائیدار اثاثوں کی از سر نو تخمینہ پر اضافی آمدن کی غیر تخصیص شدہ منافع میں منتقلی (خالص از ٹیکس)
(1,739)	تخصیص کیلئے دستیاب منافع
45	تخصیص:
54,084	قانونی ریزرو
67,293	حتمی کیش ڈیویڈنڈ 5 روپے فی شیئر - برائے دسمبر 2019
1,321	عبوری کیش ڈیویڈنڈ 5 روپے فی شیئر - برائے مارچ 2020
5,925	کل تخصیص
5,925	اختتامی غیر تخصیص شدہ منافع
13,171	
54,122	

اپنی خالص آمدنی کی مضبوط تشکیل کے ساتھ ایم سی بی نے 13.2 بلین روپے کا منافع بعد از ٹیکس رپورٹ کیا جو کہ گزشتہ سال کے تقابلی عرصہ سے 24 فیصد کی نمایاں افزودگی کو ظاہر کرتا ہے۔ اس کارکردگی کے اثرات فی حصص آمدنی پر ہوئے جو کہ سال 2020ء کی پہلی ششماہی میں 11.5 روپے فی حصص پر رہی (سال 2019: پہلی ششماہی 9.01 روپے فی حصص)۔

بینک کی خالص انٹرسٹ آمدنی اس مدت میں 30 فیصد کے اضافہ کے ساتھ 36.01 بلین روپے پر درج ہوئی اس کا حصول کرنٹ اکاؤنٹس کی تعمیر اور انٹرسٹ کے حامل پیداواری اثاثوں میں بروقت سرمایہ کاری سے ممکن ہوا۔ اپنی سرمایہ کاری کی پیچورٹی کے حوالہ سے اسکی قلیل مدت سے طویل المدت میں دانشمندانہ منتقلی کی بدولت خالص انٹرسٹ مارجن میں نمو کا اندراج کیا گیا۔

کاروباری اخراجات کی مد میں (ماسوائے پینشن فنڈ کی کٹوتی کے)، افراط زر کے دباؤ میں اضافے اور کاروباری و بنیادی ڈھانچے میں بروقت وسعت کے باوجود بینک اپنے انتظامی اخراجات کے فروغ کو محدود رکھنے میں کامیاب رہا ہے۔ اور اس مدت میں گزشتہ سال کی نسبت 138 بلین روپے کی خالص کوریج رپورٹ کیا ہے اور اس کے ساتھ لاگت کی آمدنی سے تناسب کی شرح سال 2019ء کی پہلی ششماہی کی 46.1 فیصد سے بہتری کے ساتھ سال 2020ء کی پہلی ششماہی میں 38 فیصد پر درج ہوئی۔ یہ کمی سال 2019 میں سے شروع کی گئی لاگت میں کمی کی دانشمندانہ تحریک کے باعث حاصل ہوئی جس میں واضح اور مدبرانہ حکمت عملی کے ذریعے اپنی استعداد کار کو یقینی بنایا گیا ہے۔

اسٹاک مارکیٹ نے کووڈ-19 کی عالمگیر وباء کے بعد پریشان کن اور طیران پذیر سے بھرپور رد عمل دیا ہے جس کے نتیجے میں بینک کو اپنے ایکویٹی انویسٹمنٹ پورٹ فولیو کیلئے 1.3 بلین روپے کے اخراجات تعین کرنا پڑا۔ قرضہ جات کی مد میں کووڈ-19 کے پھیلاؤ سے پیدا ہونے والے دباؤ اور حقیقی اثرات کا احاطہ کرنا ایک



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 2020 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 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 2020 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.



	Note	Unaudited June 30, 2020	Audited December 31, 2019
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-----Rupees in '000-----

ASSETS

Cash and balances with treasury banks	7	144,167,677		132,704,797	
Balances with other banks	8	14,701,174		12,542,239	
Lendings to financial institutions	9	2,056,775		1,090,058	
Investments	10	928,707,595		748,764,502	
Advances	11	460,611,078		496,678,874	
Fixed assets	12	57,585,682		58,271,245	
Intangible assets	13	880,772		957,552	
Deferred tax assets		-		-	
Other assets	14	58,893,352		64,142,748	
		1,667,604,105		1,515,152,015	

LIABILITIES

Bills payable	16	10,504,227		11,821,698	
Borrowings	17	113,229,580		89,505,892	
Deposits and other accounts	18	1,274,682,178		1,144,763,259	
Liabilities against assets subject to finance lease		-		-	
Subordinated debt		-		-	
Deferred tax liabilities	19	11,804,208		5,850,645	
Other liabilities	20	72,498,372		94,295,738	
		1,482,718,565		1,346,237,232	

NET ASSETS

		184,885,540		168,914,783	
REPRESENTED BY					
Share capital		11,850,600		11,850,600	
Reserves	21	79,712,168		77,591,253	
Surplus on revaluation of assets	22	39,200,797		23,695,441	
Unappropriated profit		54,121,975		55,777,489	
		184,885,540		168,914,783	

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Salman Khalid Butt
Director

Unconsolidated Condensed Interim Profit & Loss Account (Un-audited)
For The Half Year Ended June 30, 2020



Note	Quarter ended June 30, 2020	Half Year ended June 30, 2020	Quarter ended June 30, 2019	Half Year ended June 30, 2019
-----Rupees in '000-----				
Mark-up / return / interest earned	36,112,002	75,211,630	31,750,823	59,132,742
Mark-up / return / interest expensed	16,406,846	39,198,774	17,429,817	31,332,982
Net mark-up / interest income	19,705,156	36,012,856	14,321,006	27,799,760
NON MARK-UP / INTEREST INCOME				
Fee and commission income	2,299,959	5,145,608	2,752,224	5,566,442
Dividend income	310,199	533,799	520,879	710,261
Foreign exchange income	702,520	1,427,687	1,286,372	1,727,697
Income/ (loss) from derivatives	3,502	(6,903)	(19,666)	(3,936)
Loss on securities	(138,186)	(67,047)	(129,218)	(117,785)
Other Income	17,093	49,628	34,298	76,665
Total non-markup / interest Income	3,195,087	7,082,772	4,444,889	7,959,344
Total Income	22,900,243	43,095,628	18,765,895	35,759,104
NON MARK-UP / INTEREST EXPENSES				
Operating expenses	8,031,132	16,192,564	8,108,813	16,279,039
Workers welfare fund	227,788	445,087	183,384	364,971
Other charges	30,865	240,120	60,660	106,855
Total non-markup / interest expenses	8,289,785	16,877,771	8,352,857	16,750,865
Profit before provisions	14,610,458	26,217,857	10,413,038	19,008,239
Provisions / (reversals) and write offs - net Extra ordinary / unusual items	3,221,035 -	3,963,497 -	1,243,821 -	759,664 -
PROFIT BEFORE TAXATION	11,389,423	22,254,360	9,169,217	18,248,575
Taxation	4,699,025	9,044,936	3,574,082	7,573,581
PROFIT AFTER TAXATION	6,690,398	13,209,424	5,595,135	10,674,994
-----Rupees-----				
Basic and diluted earnings per share	5.65	11.15	4.72	9.01

The annexed notes 1 to 41 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

Muhammad Ali Zeb

Muhammad Ali Zeb
Director

Salman Khalid Butt

Salman Khalid Butt
Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For The Half Year Ended June 30, 2020



	Quarter ended June 30, 2020	Half Year ended June 30, 2020	Quarter ended June 30, 2019	Half Year ended June 30, 2019
-----Rupees in '000-----				
Profit after taxation for the period	6,690,398	13,209,424	5,595,135	10,674,994
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	200,145	799,973	1,289,581	1,617,407
Movement in surplus on revaluation of investments - net of tax	7,012,604	15,550,063	(1,668,743)	(1,175,588)
	7,212,749	16,350,036	(379,162)	441,819
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement loss on defined benefit obligations - net of tax	(1,738,103)	(1,738,103)	(534,194)	(534,194)
	(1,738,103)	(1,738,103)	(534,194)	(534,194)
Total comprehensive income	12,165,044	27,821,357	4,681,779	10,582,619

The annexed notes 1 to 41 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

Muhammad Ali Zeb

Muhammad Ali Zeb
Director

Salman Khalid Butt

Salman Khalid Butt
Director

Unconsolidated Condensed Interim Statement of Changes In Equity (Un-audited)
For The Half Year Ended June 30, 2020



	Share capital	Share premium	Capital reserve Non-distributable capital reserve	Exchange transition reserve	Statutory reserve	Revenue reserve General reserve	Surplus (deficit) on revaluation of Fixed / non- banking assets	Unappropriated profit	Total
Balance as at December 31, 2019	11,850,600	23,751,114	908,317	1,629,543	29,259,007	18,600,000	(2,759,144)	53,532,044	149,277,729
Total comprehensive income for the period ended June 30, 2020	-	-	-	1,617,407	-	-	(1,175,888)	10,674,994	10,674,994
Profit after taxation for the six months period ended June 30, 2020	-	-	-	1,617,407	-	-	(1,175,888)	(534,194)	(62,375)
Other comprehensive income - net of tax	-	-	-	-	1,087,499	-	-	(1,087,499)	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	26,651	26,651
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	10,563	10,563
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Final cash dividend at Rs. 4.0 per share - December 31, 2019	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - March 31, 2019	-	-	-	-	-	-	-	(9,480,480)	(9,480,480)
Balance as at June 30, 2020	11,850,600	23,751,114	908,317	3,246,950	30,326,906	18,600,000	(3,933,732)	53,162,079	150,379,869
Change in equity for six months period ended December 31, 2019	-	-	-	-	-	-	-	-	-
Total comprehensive income for the six months period ended December 31, 2019	-	-	-	-	-	-	-	13,301,845	13,301,845
Profit after taxation for the six months period ended December 31, 2019	-	-	-	(971,819)	-	-	8,151,479	7,074,117	59,773
Other comprehensive income - net of tax	-	-	-	(971,819)	-	-	8,151,479	7,074,117	14,713,950
Transfer to statutory reserve	-	-	-	-	1,330,185	-	-	(1,330,185)	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	26,594	26,594
Surplus realized on disposal of non-banking assets - net of tax	-	-	-	-	-	-	-	(37,863)	(37,863)
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Final cash dividend at Rs. 4.0 per share - June 30, 2019	-	-	-	-	-	-	-	(4,740,240)	(4,740,240)
Interim cash dividend at Rs. 4.0 per share - September 30, 2019	-	-	-	-	-	-	-	(9,480,480)	(9,480,480)
Balance as at December 31, 2019	11,850,600	23,751,114	908,317	2,675,131	31,656,691	18,600,000	4,217,747	55,777,489	168,914,793
Total comprehensive income for the period ended June 30, 2020	-	-	-	799,973	-	-	15,550,083	13,209,424	13,209,424
Profit after taxation for the six months period ended June 30, 2020	-	-	-	799,973	-	-	15,550,083	(1,738,103)	14,611,933
Other comprehensive income - net of tax	-	-	-	-	-	-	15,550,083	11,471,321	27,821,357
Transfer to statutory reserve	-	-	-	-	1,320,942	-	-	(1,320,942)	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	44,707	44,707
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)
Final cash dividend at Rs. 5.0 per share - December 31, 2019	-	-	-	-	-	-	-	(5,925,300)	(5,925,300)
Interim cash dividend at Rs. 5.0 per share - March 31, 2020	-	-	-	-	-	-	-	(11,850,600)	(11,850,600)
Balance as at June 30, 2020	11,850,600	23,751,114	908,317	3,475,104	32,977,633	18,600,000	19,767,810	54,121,975	184,885,540

For details of dividend declaration and appropriations, please refer note 39 to these unconsolidated condensed interim financial statements.
For details of reserves, please refer note 21 to these unconsolidated condensed interim financial statements.
The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Salman Khalid Butt
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For The Half Year Ended June 30, 2020



	Half Year ended June 30, 2020	Half Year ended June 30, 2019
-----Rupees in '000-----		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	22,254,360	18,248,575
Less: Dividend income	(533,799)	(710,261)
	21,720,561	17,538,314
Adjustments:		
Depreciation on fixed assets	980,049	930,597
Depreciation on right of use assets	600,945	593,847
Depreciation on non-banking assets acquired in satisfaction of claims	15,675	24,124
Amortization	155,492	128,980
Provisions / (reversals) and write offs - net	3,963,497	759,664
Workers welfare fund	445,087	364,971
Gain on sale of fixed assets and non-banking assets acquired-net	(18,950)	(36,641)
Charge / (reversal) for defined benefit plans	161,546	(32,175)
Interest expensed on lease liability against right-of-use assets	605,176	302,045
Unrealized (gain)/loss on revaluation of investments classified as held for trading	(13,078)	9,237
	6,895,439	3,044,649
	28,616,000	20,582,963
Decrease / (increase) in operating assets		
Lendings to financial institutions	(966,717)	30,799,110
Held-for-trading securities	(6,591,374)	3,303,019
Advances	32,275,576	(9,780,771)
Others assets (excluding advance taxation)	2,214,965	(15,414,213)
	26,932,450	8,907,145
Increase / (decrease) in operating liabilities		
Bills Payable	(1,317,471)	(5,185,586)
Borrowings from financial institutions	24,437,832	(31,436,836)
Deposits	129,918,919	99,593,533
Other liabilities (excluding current taxation)	(25,220,404)	11,287,055
	127,818,876	74,258,166
Defined benefits paid	(165,300)	(166,874)
Income tax paid	(7,107,083)	(332,689)
Net cash flow from operating activities	176,094,943	103,248,711
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(158,168,756)	(51,375,701)
Net investments in held-to-maturity securities	8,562,322	543,145
Dividends received	506,135	679,473
Investments in fixed assets	(833,424)	(2,707,878)
Investments in Intangible assets	(77,410)	(148,681)
Proceeds from sale of fixed assets	28,597	87,749
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)
Effect of translation of net investment in foreign branches	799,973	1,617,407
Net cash flow used in investing activities	(149,182,563)	(51,328,931)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of subordinated debt	-	(3,891,019)
Payment of lease liability against right-of-use-assets	(842,551)	(636,608)
Dividend paid	(11,733,870)	(9,394,092)
Net cash flow used in financing activities	(12,576,421)	(13,921,719)
Effects of exchange rate changes on cash and cash equivalents	3,766,686	4,750,546
Increase in cash and cash equivalents	18,102,645	42,748,607
Cash and cash equivalents at beginning of the period	140,130,903	108,430,862
Cash and cash equivalents at end of the period	158,233,548	151,179,469

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Salman Khalid Butt
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 1,400 branches (2019: 1,399 branches) within Pakistan and 11 branches (2019: 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 Financial Reporting Standard 9, 'Financial Instruments' through BPRD Circular No. 04 of 2019 dated October 23, 2019 and International Accounting Standards 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. These unconsolidated 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, 2019.

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

There are certain 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, 2020. 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)
IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2022
IAS 16, Property, plant and equipment (Amendments)	January 1, 2022
IAS 37, Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 17, Insurance Contracts	January 1, 2021

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, as per BPRD Circular No. 04 of 2019 dated October 23, 2019 of SBP, effective date of IFRS 9 implementation is January 01, 2021.

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.

There are other new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated condensed interim financial statements.

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, 2019.

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, 2019 except as explained in note 6.1.

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, 2019. These risk management policies continue to remain robust and the Bank is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

The COVID - 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points during the period to 7% in June 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID 19 has impacted the banks in Pakistan from various facets which include muted credit risk increase, reduced fee income due to slowdown in economic activity, branch closures and cyber security threat management.

6.1 Credit Risk Management

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank has further strengthened its risk appetite and related credit review procedures in the light of COVID-19, which would insulate the Bank from any unforeseen shock.

	Performing		Non Performing		Total	
	Unaudited June 30, 2020	Audited December 31, 2019	Unaudited June 30, 2020	Audited December 31, 2019	Unaudited June 30, 2020	Audited December 31, 2019
Loans, cash credits, running finances, etc.	440,490,628	471,126,199	49,698,399	48,759,157	490,189,027	519,885,356
Bills discounted and purchased	17,109,952	19,486,758	665,102	665,102	17,775,054	20,151,860
Advances - gross	457,600,580	490,612,957	50,363,501	49,424,259	507,964,081	540,037,216
Provision against advances						
- Specific	(5,517,275)	(1,423,921)	(41,835,728)	(41,934,421)	(47,351,703)	(41,934,421)
- General	(5,517,275)	(1,423,921)	(41,835,728)	(41,934,421)	(47,351,703)	(41,934,421)
Advances - net of provision	452,083,305	489,189,036	8,527,773	7,489,838	460,611,078	498,102,795

	Unaudited June 30, 2020	Audited December 31, 2019
Advances in local currency	461,550,643	481,408,603
Advances in foreign currencies	46,413,438	58,628,613
	507,964,081	540,037,216

11.1 Particulars of advances (Gross)

In local currency
In foreign currencies

11.2 Advances include Rs. 50,363,501 million (2019: Rs. 49,424,259 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Unaudited June 30, 2020		Audited December 31, 2019	
	Non Performing Loans	Provision	Non Performing Loans	Provision
Domestic	85,790	3,291	123,678	3,529
Other Assets Especially Mentioned	1,160,432	289,662	584,129	145,075
Substandard	3,151,978	1,575,989	2,690,841	1,345,421
Doubtful	37,097,455	36,334,626	37,835,619	37,087,269
Loss	41,495,655	38,203,568	41,234,267	38,581,294
Overseas	-	-	-	-
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	1,807	1,634	10,688	7,400
91 to 180 days	4,331	2,105	118,182	95,452
181 to 365 days	128,937	112,771	141,231	137,601
> 365 days	8,732,771	3,515,650	7,919,891	3,112,674
Total	8,867,846	3,632,160	8,189,992	3,353,127
	50,363,501	41,835,728	49,424,259	41,934,421

11.2.1 This represents non-performing portfolio of agricultural, small enterprise and Infrastructure Project Financing classified as OAEI as per the requirements of respective Prudential Regulations issued by the State Bank of Pakistan.

11. ADVANCES

11.3 Particulars of provision against advances

	Unaudited June 30, 2020			Audited December 31, 2019		
	Specific	General	Total	Specific	General	Total
Opening balance	41,934,421	1,423,921	43,358,342	41,943,509	1,266,717	43,210,226
Exchange adjustments	229,995	24,929	254,924	302,297	21,237	323,534
Charge for the period / year	735,931	4,146,445	4,882,376	3,356,159	155,449	3,511,608
Reversals	(947,694)	(78,020)	(1,025,714)	(3,649,742)	(19,482)	(3,669,224)
Amounts written off	(116,925)	-	(116,925)	(17,802)	-	(17,802)
Closing balance	41,835,728	5,517,275	47,353,003	41,934,421	1,423,921	43,358,342

- 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.
- 11.3.3** In addition, the Bank has also maintained a general provision of Rs 4,574 million (December 31, 2019: Rs 527 million) against financing made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations as explained in note 6.1.

12.

FIXED ASSETS

Note	Unaudited June 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
Capital work-in-progress	1,237,230	975,566
Property and equipment	49,220,359	49,620,934
Right-of-use assets	7,128,093	7,674,745
	57,585,682	58,271,245

12.1 Capital work-in-progress

Civil works	800,438	451,189
Equipment	9,574	90,946
Advances to suppliers	397,999	428,617
Others	29,219	4,814
	1,237,230	975,566

12.2 Additions to fixed assets

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

	Unaudited half Year ended June 30, 2020	Audited half Year ended June 30, 2019
	-----Rupees in '000-----	
Capital work-in-progress	261,664	208,830
Property and equipment		
Freehold land	25,327	708,245
Building on freehold land	34,316	1,002,557
Electrical office and computer equipment	250,685	491,681
Furniture and fixture	99,721	97,233
Leasehold Improvements	107,016	122,848
Vehicles	47,696	76,484
Leasehold land	6,999	-
	571,760	2,499,048
Total	833,424	2,707,878

12.3 Disposal of fixed assets

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

Freehold land	-	21,000
Vehicles	6,971	28,910
Furniture and fixture	130	572
Electrical office and computer equipment	2,546	343
Leasehold Improvements	-	283
Total	9,647	51,108

Note	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
13. INTANGIBLE ASSETS		
Capital work-in-progress	330,894	316,742
Computer software	549,878	640,810
	<u>880,772</u>	<u>957,552</u>

Unaudited half Year ended June 30, 2020	Unaudited half Year ended June 30, 2019

-----Rupees in '000-----

13.1 Additions to intangible assets

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

Capital work-in-progress	14,152	-
Directly purchased	63,258	148,681
	<u>77,410</u>	<u>148,681</u>

Unaudited June 30, 2020	Audited December 31, 2019

-----Rupees in '000-----

14. OTHER ASSETS

Income/ mark-up accrued in local currency	24,567,029	22,099,766
Income/ mark-up accrued in foreign currencies	668,412	558,407
Advances, deposits, advance rent and other prepayments	2,070,627	3,720,012
Compensation for delayed income tax refunds	133,809	133,809
Non-banking assets acquired in satisfaction of claims	3,235,832	3,251,508
Branch adjustment account	-	37,075
Mark to market gain on forward foreign exchange contracts	2,888,954	3,875,681
Unrealized gain on derivative financial instruments	1,186,368	1,236,517
Acceptances	17,493,374	18,152,032
Receivable from the pension fund	1,239,559	3,605,121
Others	7,376,016	9,399,297
	<u>60,859,980</u>	<u>66,069,225</u>
Less: Provision held against other assets	14.1 2,644,288	2,604,137
Other Assets (net of provision)	58,215,692	63,465,088
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	677,660	677,660
Other Assets - total	<u>58,893,352</u>	<u>64,142,748</u>

14.1 Provision held against other assets

Non banking assets acquired in satisfaction of claims	90,938	90,938
Claims against fraud and forgeries	499,238	516,497
Others	2,054,112	1,996,702
	<u>2,644,288</u>	<u>2,604,137</u>

14.1.1 Movement in provision held against other assets

Opening balance	2,604,137	2,550,584
Charge for the period / year	1,311	12,587
Reversals	(19,188)	(36,023)
	<u>(17,877)</u>	<u>(23,436)</u>
Amounts written off	(3,922)	(3,638)
Exchange and other adjustments	61,950	80,627
Closing balance	<u>2,644,288</u>	<u>2,604,137</u>

15. CONTINGENT ASSETS

There were no contingent assets of the Bank as at June 30, 2020 (2019: NIL).

	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
16. BILLS PAYABLE		
In Pakistan	10,429,940	11,786,207
Outside Pakistan	74,287	35,491
	<u>10,504,227</u>	<u>11,821,698</u>

17. BORROWINGS

Secured

Borrowings from State Bank of Pakistan		
Under export refinance scheme	34,931,001	33,862,262
Under long term financing facility	20,360,284	18,138,200
Under renewable energy performance platform	77,834	85,062
Under payment of Wages & Salaries	1,984,481	-
Under financing facility for storage of agricultural produce	215,346	188,809
	<u>57,568,946</u>	<u>52,274,333</u>
Repurchase agreement borrowings	52,657,800	28,099,229
Total secured	<u>110,226,746</u>	<u>80,373,562</u>

Unsecured

Borrowings from other financial institution	1,937,194	774,914
Call borrowings	268,051	6,845,683
Overdrawn nostro accounts	635,303	1,349,447
Others	162,286	162,286
Total unsecured	<u>3,002,834</u>	<u>9,132,330</u>
	<u>113,229,580</u>	<u>89,505,892</u>

18. DEPOSITS AND OTHER ACCOUNTS

	Unaudited June 30, 2020			Audited December 31, 2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000-----						
Customers						
Current deposits	401,226,780	48,508,279	449,735,059	336,833,189	51,619,020	388,452,209
Savings deposits	639,622,891	49,646,526	689,269,417	552,121,108	45,357,701	597,478,809
Term deposits	53,861,722	13,656,232	67,517,954	85,296,905	15,518,802	100,815,707
Others	30,740,413	3,340,067	34,080,480	21,537,429	2,854,010	24,391,439
	<u>1,125,451,806</u>	<u>115,151,104</u>	<u>1,240,602,910</u>	<u>995,788,631</u>	<u>115,349,533</u>	<u>1,111,138,164</u>
Financial Institutions						
Current deposits	12,080,416	1,658,128	13,738,544	9,421,664	2,093,098	11,514,762
Savings deposits	13,275,059	41,625	13,316,684	13,005,530	26,432	13,031,962
Term deposits	1,068,968	5,794,997	6,863,965	1,143,468	7,741,444	8,884,912
Others	-	160,075	160,075	-	193,459	193,459
	<u>26,424,443</u>	<u>7,654,825</u>	<u>34,079,268</u>	<u>23,570,662</u>	<u>10,054,433</u>	<u>33,625,095</u>
	<u>1,151,876,249</u>	<u>122,805,929</u>	<u>1,274,682,178</u>	<u>1,019,359,293</u>	<u>125,403,966</u>	<u>1,144,763,259</u>

Note	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
19. DEFERRED TAX LIABILITIES		
Taxable Temporary Differences on		
- Surplus on revaluation of fixed assets	1,322,477	1,346,550
- Surplus on revaluation of Non-banking assets	237,181	237,181
- Accelerated tax depreciation	1,743,431	1,754,097
- Receivable from pension fund	433,846	1,261,793
- Business combination	705,218	705,218
- Surplus/deficit on revaluation of investments	10,644,205	2,271,094
	15,086,358	7,575,933
Deductible Temporary Differences on		
- Provision against advances	(3,282,150)	(1,725,288)
	(3,282,150)	(1,725,288)
	11,804,208	5,850,645
20. OTHER LIABILITIES		
Mark-up/ return/ interest payable in local currency	3,200,695	22,831,727
Mark-up/ return/ interest payable in foreign currencies	248,030	649,536
Unearned commission and income on bills discounted	187,239	181,751
Accrued expenses	4,639,937	5,397,614
Provision for taxation (provisions less payments)	9,541,063	6,119,564
Workers' welfare fund	20.1	8,318,793
Acceptances	14	17,493,374
Unclaimed / dividends payable	1,709,709	1,592,979
Mark to market loss on forward foreign exchange contracts	2,382,336	4,642,692
Unrealised loss on derivative financial instruments	1,182,033	1,232,806
Staff welfare fund	3,755	5,727
Provision for employees' compensated absences	1,041,980	939,495
Provision for post retirement medical benefits	2,094,346	1,921,348
Provision for employees' contributory benevolent scheme	250,398	221,193
Retention money	20,657	20,657
Insurance payable against consumer assets	562,087	655,146
Unclaimed balances	892,242	993,105
Duties and taxes payable	1,584,504	753,674
Provision against off-balance sheet obligations	46,653	46,581
Security deposits against lease	509,250	491,366
Branch adjustment account	101,037	-
Lease liability against right of use assets	8,089,556	8,295,864
Others	8,398,698	11,277,175
	72,498,372	94,295,738

20.1 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.

Note	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
21. RESERVES		
Share premium	23,751,114	23,751,114
Non- distributable capital reserve - gain on bargain purchase option	21.1	908,317
Exchange translation reserve	3,475,104	2,675,131
Statutory reserve	21.2	32,977,633
General reserve	18,600,000	18,600,000
	79,712,168	77,591,253

21.1 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.

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

Note	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
22. SURPLUS ON REVALUATION OF ASSETS		
Surplus / (deficit) on revaluation of		
- Available for sale securities	30,412,015	6,488,841
- Fixed Assets	20,314,985	20,383,765
- Non-banking assets acquired in satisfaction of claims	677,660	677,660
	51,404,660	27,550,266
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	10,644,205	2,271,094
- Fixed Assets	1,322,477	1,346,550
- Non-banking assets acquired in satisfaction of claims	237,181	237,181
	12,203,863	3,854,825
	39,200,797	23,695,441

23. CONTINGENCIES AND COMMITMENTS

-Guarantees	23.1	181,579,424	173,535,128
-Commitments	23.2	337,407,733	649,690,990
-Other contingent liabilities	23.3	30,747,517	27,920,652
		549,734,674	851,146,770

23.1 Guarantees:			
Financial guarantees		151,387,602	141,181,839
Performance guarantees		28,874,915	30,401,373
Other guarantees		1,316,907	1,951,916
		181,579,424	173,535,128

23.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		130,557,754	145,217,983
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	180,981,528	405,615,318
- forward government securities transactions	23.2.2	17,218,440	87,696,638
- derivatives	23.2.3	7,415,438	10,244,806
Commitments for acquisition of:			
- operating fixed assets		1,176,975	859,953
- intangible assets		57,598	56,292
		337,407,733	649,690,990

23.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		109,640,916	217,809,539
Sale		71,340,612	187,805,779
		180,981,528	405,615,318

23.2.2 Commitments in respect of forward government securities transactions			
Purchase		16,956,208	82,284,304
Sale		262,232	5,412,334
		17,218,440	87,696,638

23.2.3 Commitments in respect of derivatives			
FX options (notional)			
Purchase		63,433	431,449
Sale		63,433	431,449
		126,866	862,898
Cross Currency Swaps (notional)			
Purchase		3,408,368	4,428,663
Sale		3,563,704	4,636,745
		6,972,072	9,065,408
Interest Rate Swaps (notional)			
Purchase		316,500	316,500
		7,415,438	10,244,806

23.2.4 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.

23.3 Other contingent liabilities

	Note	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
Claims against the Bank not acknowledged as debts	23.3.1	30,747,517	27,920,652

23.3.1 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.

23.4 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. 1,487 million (2019: Rs. 1,487 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 these unconsolidated condensed interim 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.

24. DERIVATIVE INSTRUMENTS

	Unaudited June 30, 2020					
	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	3,408,368	1,180,562	316,500	3,040	63,433	2,766
Market Making	3,563,704	(1,179,267)	-	-	63,433	(2,766)
-----Rupees in '000-----						
Total						
Hedging	4,428,663	1,218,634	316,500	11,510	431,449	2,683
Market Making	4,636,745	(1,226,433)	-	-	431,449	(2,683)

	Unaudited half Year ended June 30, 2020	Unaudited half Year ended June 30, 2019
-----Rupees in '000-----		

25. MARK-UP/RETURN/INTEREST EARNED

Loans and advances	25,962,430	26,608,927
Investments	48,366,469	28,738,340
Lendings to financial institutions	736,991	3,534,613
Balances with banks	145,740	250,862
	<u>75,211,630</u>	<u>59,132,742</u>

26. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	33,820,985	27,049,029
Borrowings	3,572,092	2,676,136
Subordinated debt	-	213,604
Cost of foreign currency swaps against foreign currency deposits / borrowings	1,200,521	1,092,168
Unwinding cost of liability against right-of-use assets	605,176	302,045
	<u>39,198,774</u>	<u>31,332,982</u>

27. FEE & COMMISSION INCOME

	Note	Unaudited half Year ended June 30, 2020	Unaudited half Year ended June 30, 2019
-----Rupees in '000-----			
Branch banking customer fees		941,135	943,429
Consumer finance related fees		187,430	153,475
Card related fees (debit and credit cards)		1,511,464	1,410,047
Credit related fees		14,765	108,557
Investment banking fee		71,482	85,381
Commission on trade		633,111	732,257
Commission on guarantees		295,762	325,513
Commission on cash management		286,992	334,914
Commission on remittances including home remittances		514,359	565,634
Commission income - Bancassurance		474,901	647,898
Rent on lockers		102,233	120,378
Commission on utility bills		36,734	49,115
Commission on investments services		17,503	25,349
Other Commission		57,737	64,495
		<u>5,145,608</u>	<u>5,566,442</u>

28. GAIN ON SECURITIES, NET

Realised	28.1	(80,125)	(108,548)
Unrealised - held for trading	10.1	13,078	(9,237)
		<u>(67,047)</u>	<u>(117,785)</u>

28.1 Realised gain / (loss) on:

Federal Government Securities	183,380	15,976
Shares	(266,359)	(124,524)
Others	2,854	-
	<u>(80,125)</u>	<u>(108,548)</u>

29. OTHER INCOME

Rent on property	30,678	40,024
Gain on sale of fixed assets-net	18,950	36,641
	<u>49,628</u>	<u>76,665</u>

30. OPERATING EXPENSES

Total compensation expense	7,936,780	7,247,160
Property expense		
Rent and taxes	82,632	185,941
Insurance	11,507	10,590
Utilities cost	507,439	487,096
Fuel expense generators	156,053	264,488
Security (including guards)	621,515	762,888
Repair and maintenance (including janitorial charges)	310,135	456,680
Depreciation on right-of-use assets	600,945	593,847
Depreciation	304,520	236,417
	<u>2,594,746</u>	<u>2,997,947</u>
Information technology expenses		
Software maintenance	600,676	648,972
Hardware maintenance	116,075	183,424
Depreciation	262,974	224,357
Amortisation	155,492	128,980
Network charges	301,910	281,059
Insurance	1,876	1,566
	<u>1,439,003</u>	<u>1,468,358</u>

Note	Unaudited half Year ended June 30, 2020	Unaudited half Year ended June 30, 2019
	-----Rupees in '000-----	
Other operating expenses		
Directors' fees and allowances	21,956	23,347
Legal and professional charges	145,138	177,888
Outsourced services costs	340,925	338,789
Travelling and conveyance	119,966	151,279
NIFT clearing charges	82,632	72,992
Depreciation	412,555	469,823
Depreciation on non-banking assets acquired in satisfaction of claims	15,675	24,124
Training and development	13,749	21,269
Postage and courier charges	136,650	143,410
Communication	164,080	174,825
Stationery and printing	270,983	358,820
Marketing, advertisement & publicity	330,612	402,043
Donations	112,596	-
Auditors' remuneration	16,298	14,406
Cash transportation charges	338,437	367,222
Repair and maintenance	165,097	182,326
Subscription	10,154	4,239
Entertainment	83,638	113,825
Remittance charges	95,524	103,543
Brokerage expenses	17,229	14,970
Card related expenses	419,694	444,920
CNIC verification charges	53,129	112,886
Insurance	743,134	716,257
Others	112,184	132,371
	<u>4,222,035</u>	<u>4,565,574</u>
	<u>16,192,564</u>	<u>16,279,039</u>
31. OTHER CHARGES		
Penalties of State Bank of Pakistan	183,541	15,252
VAT & National Building tax & Crop Insurance Levy	56,579	91,603
	<u>240,120</u>	<u>106,855</u>
32. PROVISIONS / (REVERSALS) & WRITE OFFS - NET		
Reversal against balance with Banks	(1,813)	(507)
Provision for diminution in value of investments	190,967	1,570,509
Provision / (reversal) against loans and advances	3,856,662	(701,246)
Reversal against other assets	(17,877)	(29,144)
Recovery of written off / charged off bad debts	(64,442)	(79,948)
	<u>3,963,497</u>	<u>759,664</u>
33. TAXATION		
Current	10,576,822	6,892,716
Prior years	-	450,438
Deferred	(1,531,886)	230,427
	<u>9,044,936</u>	<u>7,573,581</u>
34. BASIC AND DILUTED EARNINGS PER SHARE		
	-----Rupees in '000-----	
Profit after tax	<u>13,209,424</u>	<u>10,674,994</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>11.15</u>	<u>9.01</u>

35. 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.

35.1 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 period.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of 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, 2020				
	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	868,036,430	-	868,036,430	-	868,036,430
Shares	14,629,376	14,629,376	-	-	14,629,376
Non-Government Debt Securities	1,886,722	-	1,886,722	-	1,886,722
Foreign Securities	4,489,450	-	4,489,450	-	4,489,450
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares, subsidiaries and associates)	39,665,617	-	-	-	-
Cash and balances with treasury banks	144,167,677	-	-	-	-
Balances with other banks	14,701,174	-	-	-	-
Lendings to financial institutions	2,056,775	-	-	-	-
Advances	460,611,078	-	-	-	-
Other assets	51,626,803	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	43,377,704	-	43,377,704	-	43,377,704
Non-banking assets	3,822,554	-	3,822,554	-	3,822,554
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	109,640,916	-	2,824,808	-	2,824,808
Forward sale of foreign exchange	71,340,612	-	2,318,190	-	2,318,190
Derivatives purchase	3,788,301	-	1,186,368	-	1,186,368
Derivatives sale	3,627,137	-	1,182,033	-	1,182,033

	Audited December 31, 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	680,585,359	-	680,585,359	-	680,585,359
Shares	14,912,747	14,912,747	-	-	14,912,747
Non-Government Debt Securities	1,306,414	-	1,306,414	-	1,306,414
Foreign Securities	3,663,065	-	3,663,065	-	3,663,065
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares, subsidiaries and associates)	48,296,917	-	-	-	-
Cash and balances with treasury banks	132,704,797	-	-	-	-
Balances with other banks	12,542,239	-	-	-	-
Lendings to financial institutions	1,090,058	-	-	-	-
Advances	496,678,874	-	-	-	-
Other assets	52,808,501	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	43,552,234	-	43,552,234	-	43,552,234
Non-banking assets	3,838,230	-	3,838,230	-	3,838,230
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	217,809,539	-	4,146,908	-	4,146,908
Forward sale of foreign exchange	187,805,779	-	3,379,897	-	3,379,897
Derivatives purchase	5,176,612	-	1,232,827	-	1,232,827
Derivatives sale	5,068,194	-	1,229,116	-	1,229,116



36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

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

	Unaudited half year ended June 30, 2020							Eliminations	Total
	Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	others	Sub-total		
-----Rupees in '000-----									
Profit & Loss									
Net mark-up/return/profit	(27,559,261)	1,413,318	17,388,362	44,012,291	758,146	-	36,012,856	-	36,012,856
Inter segment revenue - net	51,405,696	(341,750)	(14,511,898)	(40,745,318)	(40,431)	4,233,701	-	-	-
Non mark-up / return / interest income	3,001,626	839,091	1,560,124	1,081,216	389,622	211,093	7,082,772	-	7,082,772
Total Income	26,848,061	1,910,659	4,436,588	4,348,189	1,107,337	4,444,794	43,095,628	-	43,095,628
Segment direct expenses	10,709,498	734,317	291,724	205,675	658,988	4,277,569	16,877,771	-	16,877,771
Inter segment expense allocation	-	-	-	-	-	-	-	-	-
Total expenses	10,709,498	734,317	291,724	205,675	658,988	4,277,569	16,877,771	-	16,877,771
Provisions	60,375	80,643	132,357	116,820	69,294	3,504,008	3,963,497	-	3,963,497
Profit before tax	16,078,188	1,095,699	4,012,507	4,025,694	379,055	(3,336,783)	22,254,360	-	22,254,360

	Unaudited half year ended June 30, 2020							Eliminations	Total
	Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	others	Sub-total		
-----Rupees in '000-----									
Balance Sheet									
Cash & Bank balances	55,106,944	175,171	1,163,300	79,420,765	22,227,261	775,410	158,868,851	-	158,868,851
Investments	-	-	11,266,166	900,921,593	16,519,836	-	928,707,595	-	928,707,595
Net inter segment lending	1,033,055,215	-	-	-	-	199,430,952	1,232,486,167	(1,232,486,167)	-
Lendings to financial institutions	-	-	-	-	2,056,775	-	2,056,775	-	2,056,775
Advances - performing	92,298,606	23,238,258	313,764,259	-	22,782,182	-	452,083,305	-	452,083,305
Advances - non performing	663,280	395,774	1,511,143	-	5,235,685	721,891	8,527,773	-	8,527,773
Others	34,794,268	2,053,790	23,483,940	17,717,230	2,104,716	37,205,862	117,359,806	-	117,359,806
Total Assets	1,215,918,313	25,862,993	351,188,808	998,059,588	70,926,455	238,134,115	2,900,090,272	(1,232,486,167)	1,667,604,105
Borrowings	49,997,305	-	7,619,601	52,518,360	3,094,314	-	113,229,580	-	113,229,580
Deposits & other accounts	1,147,409,495	18,397,080	58,278,271	-	50,587,067	10,265	1,274,682,178	-	1,274,682,178
Net inter segment borrowing	-	5,132,607	269,645,221	943,948,218	13,760,121	-	1,232,486,167	(1,232,486,167)	-
Others	18,511,513	2,333,306	15,645,715	1,593,010	3,484,953	53,238,310	94,806,807	-	94,806,807
Total liabilities	1,215,918,313	25,862,993	351,188,808	998,059,588	70,926,455	53,248,575	2,715,204,732	(1,232,486,167)	1,482,718,565
Equity	-	-	-	-	-	184,885,540	184,885,540	-	184,885,540
Total Equity & liabilities	1,215,918,313	25,862,993	351,188,808	998,059,588	70,926,455	238,134,115	2,900,090,272	(1,232,486,167)	1,667,604,105
Contingencies & Commitments	58,187,888	-	247,077,504	201,916,906	10,260,493	32,291,883	549,734,674	-	549,734,674

	Unaudited half year ended June 30, 2019							Eliminations	Total
	Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	others	Sub-total		
-----Rupees in '000-----									
Profit & Loss									
Net mark-up/return/profit	(19,538,108)	1,856,388	16,247,861	28,416,955	816,664	-	27,799,760	-	27,799,760
Inter segment revenue - net	40,337,346	(1,127,219)	(14,068,644)	(29,962,383)	11,857	4,800,043	-	-	-
Non mark-up / return / interest income	3,078,903	965,557	1,819,643	1,399,608	404,110	291,623	7,959,344	-	7,959,344
Total Income	23,878,141	1,694,726	3,998,860	(145,920)	1,232,631	5,100,666	35,759,104	-	35,759,104
Segment direct expenses	11,005,975	677,706	302,159	166,930	645,206	3,952,889	16,750,865	-	16,750,865
Inter segment expense allocation	-	-	-	-	-	-	-	-	-
Total expenses	11,005,975	677,706	302,159	166,930	645,206	3,952,889	16,750,865	-	16,750,865
Provisions	(78,764)	(27,876)	(472,029)	1,600,028	34,364	(296,059)	759,664	-	759,664
Profit before tax	12,950,930	1,044,896	4,168,730	(1,912,878)	553,061	1,443,836	18,248,575	-	18,248,575
Balance Sheet									
Cash & Bank balances	50,154,942	21,483	676,139	65,572,277	28,149,362	672,833	145,247,036	-	145,247,036
Investments	-	-	10,638,292	723,114,519	15,011,691	-	748,764,502	-	748,764,502
Net inter segment lending	940,015,024	-	-	-	-	164,292,627	1,104,307,651	(1,104,307,651)	-
Lendings to financial institutions	-	-	-	880,853	209,205	-	1,090,058	-	1,090,058
Advances - performing	98,464,054	24,342,756	341,191,287	-	25,190,939	-	489,189,036	-	489,189,036
Advances - non performing	1,074,787	113,148	1,237,494	-	4,836,865	227,544	7,489,838	-	7,489,838
Others	34,759,963	1,882,259	25,393,004	13,804,786	2,368,790	45,162,743	123,371,545	-	123,371,545
Total Assets	1,124,468,770	26,359,646	379,136,216	803,372,435	75,766,852	210,355,747	2,619,459,666	(1,104,307,651)	1,515,152,015
Borrowings	45,355,965	-	7,057,504	33,572,200	3,520,223	-	89,505,892	-	89,505,892
Deposits & other accounts	1,033,804,761	-	55,425,048	-	55,523,627	9,823	1,144,763,259	-	1,144,763,259
Net inter segment borrowing	-	24,124,908	299,650,838	768,067,183	12,464,722	-	1,104,307,651	(1,104,307,651)	-
Others	45,308,444	2,234,738	17,002,826	1,733,052	4,258,280	41,431,141	111,968,081	-	111,968,081
Total liabilities	1,124,468,770	26,359,646	379,136,216	803,372,435	75,766,852	41,440,964	2,450,544,883	(1,104,307,651)	1,346,237,232
Equity	-	-	-	-	-	168,914,783	168,914,783	-	168,914,783
Total Equity & liabilities	1,124,468,770	26,359,646	379,136,216	803,372,435	75,766,852	210,355,747	2,619,459,666	(1,104,307,651)	1,515,152,015
Contingencies & Commitments	48,973,361	-	262,455,692	496,556,621	14,015,586	29,145,510	851,146,770	-	851,146,770

36.2 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.

37 RELATED PARTY TRANSACTIONS

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 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 including loans provided to them 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, 2020				Audited December 31, 2019					
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
Balances with other banks										
In current accounts	-	-	-	-	-	-	-	-	-	14,389
	-	-	-	-	-	-	-	-	-	14,389
Lendings to Financial Institutions										
Opening balance	-	-	880,853	-	-	-	-	631,351	-	-
Addition during the period / year	-	-	8,403,928	-	-	-	-	22,355,349	-	-
Repaid during the period / year	-	-	(9,284,781)	-	-	-	-	(22,105,847)	-	-
Closing balance	-	-	-	-	-	-	-	880,853	-	-
Investments										
Opening balance	-	-	12,346,537	700,401	254,253	-	-	12,046,512	700,401	254,253
Investment made during the period / year	-	-	-	-	-	-	-	350,000	-	-
Adjustment under amalgamation scheme	-	-	-	-	-	-	-	(49,975)	-	-
Closing balance	-	-	12,346,537	700,401	254,253	-	-	12,346,537	700,401	254,253
Provision for diminution in value of investments										
Opening balance	-	-	725	-	5,000	-	-	725	-	5,000
Advances										
Opening balance	1,722	129,049	889,811	-	339,520	658	141,390	366,872	-	1,050,277
Addition / exchange adjustment during the period / year	7,123	10,525	(66,675)	356,898	19,933	29,148	62,216	522,939	-	1,642,434
Repaid during the period / year	(7,858)	(12,106)	-	-	(138,311)	(28,084)	(55,470)	-	-	(1,558,481)
Transfer in / (out)	-	60	-	-	(220,438)	-	(19,087)	-	-	(794,710)
Closing balance	987	127,528	823,136	356,898	704	1,722	129,049	889,811	-	339,520
Provision held against advances	-	-	-	-	-	-	-	-	-	-

(Rupees in '000)

MCB Bank Limited

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2020

MCB Bank Limited

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2020

	Unaudited June 30, 2020				Audited December 31, 2019					
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
Other Assets										
Markup receivable	-	3,036	2,478	15	2,824	-	3,202	31,552	-	5,191
Advances, deposits, advance rent and other prepayments	-	-	4,790	186,973	27,739	-	-	5,322	246,720	27,080
Receivable from Pension Fund	-	-	-	-	1,239,559	-	-	-	-	3,605,121
Unrealized (loss) / gain on forward foreign exchange contracts - outstanding	-	-	(17,032)	-	-	-	-	27,493	-	-
Provision held against other assets	-	-	-	-	-	-	-	-	-	-
Borrowings										
Opening balance	-	-	3,903	-	69,166	-	-	19,146	-	-
Borrowings / exchange adjustment during the period / year	-	-	190,505	-	13,949	-	-	386,228	-	144,166
Settled during the period / year	-	-	(187,966)	-	-	-	-	(401,471)	-	(75,000)
Closing balance	-	-	6,442	-	83,115	-	-	3,903	-	69,166
Deposits and other accounts										
Opening balance	602,381	140,761	54,482	3,657,552	4,179,849	3,745,457	168,528	65,933	3,339,847	3,212,620
Received during the period / year	394,326	591,788	1,205,187	38,995,354	43,631,518	9,889,584	866,766	4,513,372	22,234,251	62,263,273
Withdrawn during the period / year	(724,836)	(610,539)	(1,204,723)	(39,084,188)	(43,502,723)	(13,025,336)	(884,532)	(4,515,594)	(21,916,546)	(61,423,281)
Transfer in / (out) - net	-	(7,959)	-	-	(503,148)	(7,324)	(10,001)	(9,229)	-	127,237
Closing balance	271,871	114,031	54,946	3,568,718	3,805,496	602,381	140,761	54,482	3,657,552	4,179,849
Other Liabilities										
Markup payable	-	-	-	8,395	9,139	7,263	556	158	50,535	66,906
Accrued expenses and other payable	1,292	-	34,623	145,144	12,117	15,326	-	23,134	62,402	50
Payable to MCB Employee Security Services	-	-	-	-	24,573	-	-	-	-	24,565
Advance received against sale of property	-	-	20,000	-	-	-	-	20,000	-	-
Contingencies and Commitments										
Commitments and contingent liabilities - outstanding	-	-	-	10,606	1,217,060	-	-	-	10,444	746,868
Forward foreign exchange contracts (Notional) - outstanding	-	-	1,449,337	-	-	-	-	2,044,093	-	-
Bank guarantee	-	-	103,364	-	-	-	-	26,711	-	-

(Rupees in '000)



	Unaudited half Year ended June 30, 2020				Unaudited half Year ended June 30, 2019					
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
Income										
Markup / return / interest earned	-	6,705	114,416	15	11,229	-	7,247	148,948	-	10,578
Fee and commission income	-	-	17,564	418,858	836	-	-	25,413	582,985	9,314
Dividend income	-	-	36,957	105,000	7,933	-	-	-	105,000	6,800
Gain on forward foreign exchange contracts matured during the period	-	-	-	-	43,082	-	-	-	(70)	17,522
Net gain / (loss) on sale of securities	72	33	-	495	3,553	-	-	-	-	3,265
Gain on sale of fixed assets	-	17	-	-	-	-	116	-	-	-
Rent income and reimbursement of other expenses	-	-	19,748	4,455	1,140	-	-	20,923	4,931	2,025
Expense										
Markup / return / interest expensed	22,774	1,202	1,466	110,421	108,478	91,046	789	724	91,479	171,011
Other Operating expenses										
Clearing expenses paid to NIFT	-	-	-	-	82,632	-	-	-	-	72,992
Contribution to provident fund	-	-	-	-	197,239	-	-	-	-	184,476
Rent expenses	-	-	5,227	21,299	15,121	-	-	4,752	-	18,640
Cash sorting expenses	-	-	-	-	56,415	-	-	-	-	80,647
Stationery expenses	-	-	-	-	121,204	-	-	-	-	131,995
Security guards expenses	-	-	-	-	165,324	-	-	-	-	189,657
Remuneration to key executives and non-executive directors fee	108,475	328,036	-	-	-	96,692	282,546	-	-	-
Outsourcing service expenses	-	-	-	138,301	-	-	-	-	117,432	-
Donation during the year	-	-	-	-	95,000	-	-	-	-	-
E-dividend processing fee and CDC charges	-	-	-	-	2,638	-	-	-	-	3,368
Travelling Expenses	-	-	-	-	17,456	-	-	-	-	13,934
Hotel stay expenses	-	-	-	-	3,110	-	-	-	-	784
Repair & Maintenance Charges	-	-	-	-	938	-	-	-	-	5,220
Advertisement Expenses	-	-	-	-	6,264	-	-	-	-	10
Miscellaneous expenses and payments	-	-	-	-	889	-	-	-	-	-
Insurance premium-net of refund	-	-	-	270,375	-	-	-	-	371,783	-
Insurance claim settled	-	-	-	18,232	-	-	-	-	46,814	-
Other Transactions										
Proceeds from sale of fixed assets	-	18	-	3,277	-	-	116	-	26,373	20,003
Purchase of fixed assets	-	-	-	21,656,614	-	-	-	11,502,173	-	-
Sale of foreign currency	-	-	-	14,173,970	-	-	-	7,557,201	-	-
Purchase of foreign currency	-	-	-	1,709,813	-	-	-	1,505,011	-	-
Payments against home remittances	188,884	64,784	-	3,154,645	1,718,066	42,438	39,782	-	2,346,615	9,916,427
Sale of government securities	19,827	-	-	631,712	546,800	-	24,980	-	2,474,320	5,826,379
Purchase of government securities	-	-	-	-	-	-	-	-	-	9,630,628
Forward exchange contracts matured during the period	-	-	-	-	10,494,150	-	-	-	-	-

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, 2020	Audited December 31, 2019
-----Rupees in '000-----		
38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
38.1 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	137,704,187	136,256,771
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	137,704,187	136,256,771
Eligible Tier 2 Capital	47,752,697	27,354,014
Total Eligible Capital (Tier 1 + Tier 2)	185,456,884	163,610,785
Risk Weighted Assets (RWAs):		
Credit Risk	622,495,241	638,492,645
Market Risk	160,700,181	108,276,486
Operational Risk	120,887,137	120,887,137
Total	904,082,559	867,656,268
Common Equity Tier 1 Capital Adequacy ratio	15.23%	15.70%
Tier 1 Capital Adequacy Ratio	15.23%	15.70%
Total Capital Adequacy Ratio	20.51%	18.86%
38.2 Leverage Ratio (LR):		
Eligible Tier-1 Capital	137,704,187	136,256,771
Total Exposures	2,049,446,659	1,928,383,315
Leverage Ratio	6.72%	7.07%
38.3 Liquidity Requirements		
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	882,824,794	713,965,089
Total Net Cash Outflow	388,042,823	362,188,259
Liquidity Coverage Ratio	227.51%	197.13%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,116,561,010	983,364,374
Total Required Stable Funding	639,978,307	699,043,391
Net Stable Funding Ratio	174.47%	140.67%

MCB Bank Limited

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited) For The Half Year Ended June 30, 2020



39 EVENTS AFTER THE REPORTING DATE

In compliance with the SBP's instructions as disclosed in note 6.6 to the unconsolidated condensed interim financial statements, the Board of Directors, in its meeting held on August 20, 2020 has not declared any cash dividend in respect of the quarter ended June 30, 2020 (June 30, 2019: Rs 4 per share). Therefore, there is no non-adjusting event after the balance sheet date.

40 GENERAL

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

41 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 20, 2020.

MCB Bank Limited & Subsidiary Companies



MCB BANK LIMITED

(Consolidated Condensed Interim Financial Statements for the half year ended June 30, 2020)

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Salman Khalid Butt
Director

Consolidated Condensed Interim Statement of Financial Position
As at June 30, 2020



Note	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
ASSETS		
Cash and balances with treasury banks	7 154,458,276	142,957,358
Balances with other banks	8 16,558,773	21,371,753
Lendings to financial institutions	9 3,185,565	6,060,869
Investments	10 945,689,659	757,441,590
Advances	11 530,556,220	548,472,860
Fixed assets	12 63,290,907	64,201,807
Intangible assets	13 1,847,525	1,978,975
Deferred tax assets	-	-
Other assets	14 65,470,291	69,729,659
	1,781,057,216	1,612,214,871
LIABILITIES		
Bills payable	16 12,612,897	12,795,325
Borrowings	17 117,072,656	92,859,968
Deposits and other accounts	18 1,371,348,008	1,226,593,025
Liabilities against assets subject to finance lease	-	-
Subordinated debt	-	-
Deferred tax liabilities	19 12,081,916	6,214,223
Other liabilities	20 80,697,557	102,405,513
	1,593,813,034	1,440,868,054
	187,244,182	171,346,817
NET ASSETS		
REPRESENTED BY		
Share capital	11,850,600	11,850,600
Reserves	21 80,065,109	77,894,829
Surplus on revaluation of assets	22 39,914,617	24,752,206
Unappropriated profit	54,660,021	56,108,779
	186,490,347	170,606,414
Non-controlling interest	753,835	740,403
	187,244,182	171,346,817
CONTINGENCIES AND COMMITMENTS	23	

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

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Salman Khalid Butt
Director

Consolidated Condensed Interim Profit & Loss Account (Un-audited)
For The Half Year Ended June 30, 2020



Note	Quarter ended June 30, 2020	Half Year ended June 30, 2020	Quarter ended June 30, 2019	Half Year ended June 30, 2019
-----Rupees in '000-----				
Mark-up / return / interest earned	25 38,752,021	80,408,589	34,082,170	63,418,278
Mark-up / return / interest expensed	26 17,784,988	42,155,774	18,841,312	33,838,728
Net mark-up / interest income	20,967,033	38,252,815	15,240,858	29,579,550
NON MARK-UP / INTEREST INCOME				
Fee and commission income	27 2,532,588	5,658,116	3,005,247	6,069,062
Dividend income	215,236	415,562	452,264	654,605
Foreign exchange income	698,671	1,533,230	1,324,715	1,786,380
Income/ (loss) from derivatives	3,502	(6,903)	(19,666)	(3,936)
Loss on securities	28 (51,410)	(57,664)	(192,310)	(177,682)
Other Income	29 60,513	84,159	24,305	57,003
Total non-markup / interest Income	3,459,100	7,626,500	4,594,555	8,385,432
Total Income	24,426,133	45,879,315	19,835,413	37,964,982
NON MARK-UP / INTEREST EXPENSES				
Operating expenses	30 9,292,038	18,683,734	9,348,238	18,809,457
Workers welfare fund	227,788	445,087	182,703	365,700
Other charges	31 30,867	240,180	60,608	106,880
Total non-markup / interest expenses	9,550,693	19,369,001	9,591,549	19,282,037
Share of profit of associates	151,910	412,806	42,364	199,907
Profit before provisions	15,027,350	26,923,120	10,286,228	18,882,852
Provisions / (reversals) and write offs - net	32 3,296,366	4,076,022	1,355,669	907,499
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	11,730,984	22,847,098	8,930,559	17,975,353
Taxation	33 4,867,333	9,373,265	3,519,156	7,553,728
PROFIT AFTER TAXATION	6,863,651	13,473,833	5,411,403	10,421,625
(Profit) / loss attributable to non-controlling interest	(62,187)	(48,455)	23,271	(818)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE BANK	6,801,464	13,425,378	5,434,674	10,420,807
-----Rupees-----				
Basic and diluted earnings per share	34 5.74	11.33	4.59	8.79

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

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Salman Khalid Butt
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For The Half Year Ended June 30, 2020



	Quarter ended June 30, 2020	Half Year ended June 30, 2020	Quarter ended June 30, 2019	Half Year ended June 30, 2019
-----Rupees in '000-----				
Profit after taxation for the period	6,863,651	13,473,833	5,411,403	10,421,625
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	204,044	832,119	1,329,609	1,661,322
- Non-controlling interest	4	20	25	27
	204,048	832,139	1,329,634	1,661,349
Share of exchange translation reserve of associate	22,343	7,189	1,667	17,709
Movement in surplus/ (deficit) on revaluation of investments - net of tax				
- Equity shareholders of the bank	7,107,527	15,446,405	(1,746,639)	(1,230,109)
	7,107,527	15,446,405	(1,746,639)	(1,230,109)
Movement in share of surplus / deficit on revaluation of associated undertaking- net of tax	150,837	(238,455)	(129,621)	(26,769)
	7,484,755	16,047,278	(544,959)	422,180
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement loss on defined benefit obligations - net of tax	(1,738,103)	(1,738,103)	(534,194)	(534,194)
	(1,738,103)	(1,738,103)	(534,194)	(534,194)
Total comprehensive income	12,610,303	27,783,008	4,332,250	10,309,611
Attributable to:				
- Equity shareholders of the bank	12,548,112	27,734,533	4,309,004	10,308,766
- Non-controlling interest	62,191	48,475	23,246	845
	12,610,303	27,783,008	4,332,250	10,309,611

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

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Salman Khalid Butt
Director

Consolidated Condensed Interim Statement of Changes In Equity (Un-audited)
For The Half Year Ended June 30, 2020



	Balance as at December 31, 2019	Profit after taxation for the six months period ended June 30, 2020	Other comprehensive income - net of tax	Transfer to statutory reserve	Share of dividend attributable to Non-controlling interest	Share of dividend at December 31, 2020	Total comprehensive income for the six months period ended June 30, 2020	Profit after taxation for the six months period ended June 30, 2020	Other comprehensive income - net of tax	Transfer to statutory reserve	Share of dividend attributable to Non-controlling interest	Share of dividend at December 31, 2020	Total comprehensive income for the six months period ended June 30, 2020
Share capital	11,850,600	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	23,970,024	-	-	-	-	-	-	-	-	-	-	-	-
Capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-distributable capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange transition reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Salary reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
General reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on revaluation of investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of exchange translation reserve of associate	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in surplus/ (deficit) on revaluation of investments - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in share of surplus / deficit on revaluation of associated undertaking- net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Remeasurement loss on defined benefit obligations - net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	11,850,600	23,970,024	968,317	1,607,762	30,362,849	4,326,251	11,850,600	23,970,024	968,317	1,607,762	30,362,849	4,326,251	
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	11,850,600	23,970,024	968,317	1,607,762	30,362,849	4,326,251	11,850,600	23,970,024	968,317	1,607,762	30,362,849	4,326,251	

Balance as at December 31, 2019

Total comprehensive income for the six months period ended June 30, 2020

Profit after taxation for the six months period ended June 30, 2020

Other comprehensive income - net of tax

Transfer to statutory reserve

Share of dividend attributable to Non-controlling interest

Share of dividend at December 31, 2020

Total comprehensive income for the six months period ended June 30, 2020

Profit after taxation for the six months period ended June 30, 2020

Other comprehensive income - net of tax

Transfer to statutory reserve

Share of dividend attributable to Non-controlling interest

Share of dividend at December 31, 2020

Total comprehensive income for the six months period ended June 30, 2020

Profit after taxation for the six months period ended June 30, 2020

Other comprehensive income - net of tax

Transfer to statutory reserve

Share of dividend attributable to Non-controlling interest

Share of dividend at December 31, 2020

Total comprehensive income for the six months period ended June 30, 2020

Profit after taxation for the six months period ended June 30, 2020

Other comprehensive income - net of tax

Transfer to statutory reserve

Share of dividend attributable to Non-controlling interest

Share of dividend at December 31, 2020

Total comprehensive income for the six months period ended June 30, 2020

Profit after taxation for the six months period ended June 30, 2020

Other comprehensive income - net of tax

Transfer to statutory reserve

Share of dividend attributable to Non-controlling interest

Share of dividend at December 31, 2020

Total comprehensive income for the six months period ended June 30, 2020

Profit after taxation for the six months period ended June 30, 2020

Other comprehensive income - net of tax

Transfer to statutory reserve

Share of dividend attributable to Non-controlling interest

Share of dividend at December 31, 2020

Total comprehensive income for the six months period ended June 30, 2020

Profit after taxation for the six months period ended June 30, 2020

Other comprehensive income - net of tax

Transfer to statutory reserve

Share of dividend attributable to Non-controlling interest

Share of dividend at December 31, 2020

Total comprehensive income for the six months period ended June 30, 2020

Profit after taxation for the six months period ended June 30, 2020

Other comprehensive income - net of tax

Transfer to statutory reserve

Share of dividend attributable to Non-controlling interest

Share of dividend at December 31, 2020

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Salman Khalid Butt
Director



Note	Half Year ended June 30, 2020	Half Year ended June 30, 2019
-----Rupees in '000-----		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	22,847,098	17,975,353
Less: Dividend income and share of profit of associates	(828,368)	(854,512)
	22,018,730	17,120,841
Adjustments:		
Depreciation on fixed assets	30 1,190,148	1,081,871
Depreciation on right of use assets	30 820,537	791,166
Depreciation on non-banking assets acquired in satisfaction of claims	30 15,675	24,124
Amortization	30 227,611	188,591
Provisions / (reversals) and write offs - net	32 4,076,022	907,499
Workers welfare fund	445,087	365,700
Gain on sale of fixed assets and non-banking assets acquired-net	29 (18,982)	(36,625)
Charge / (reversal) for defined benefit plans	161,546	(32,175)
Interest expensed on lease liability against right-of-use assets	804,608	467,237
Unrealized (gain)/loss on revaluation of investments classified as held for trading	28 (62,676)	82,646
	7,659,576	3,840,034
	29,678,306	20,960,875
Decrease / (increase) in operating assets		
Lendings to financial institutions	2,875,304	31,958,227
Held-for-trading securities	(6,683,251)	3,194,379
Advances	14,022,050	(6,791,304)
Others assets (excluding advance taxation)	1,419,719	(16,375,035)
	11,633,822	11,986,267
Increase / (decrease) in operating liabilities		
Bills Payable	(182,428)	(5,398,546)
Borrowings from financial institutions	24,923,181	(34,949,534)
Deposits	144,754,983	109,508,865
Other liabilities (excluding current taxation)	(25,423,332)	11,290,900
	144,072,404	80,451,685
Defined benefits paid	(165,300)	(166,874)
Income tax paid	(7,177,096)	(378,874)
Net cash flow from operating activities	178,042,136	112,853,079
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(166,762,830)	(55,492,926)
Net investments in held-to-maturity securities	8,677,322	(882,746)
Dividends received	492,898	728,817
Investments in fixed assets	(963,909)	(3,069,841)
Investments in Intangible assets	(86,772)	(257,037)
Proceeds from sale of fixed assets	31,257	88,240
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)
Effect of translation of net investment in foreign branches	839,308	1,661,349
Net cash flow used in investing activities	(157,772,726)	(57,248,589)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of subordinated debt	-	(3,891,019)
Payment of lease liability against right-of-use-assets	(1,129,551)	(909,239)
Dividend paid	(11,741,428)	(9,394,092)
Net cash flow used in financing activities	(12,870,979)	(14,194,350)
Effects of exchange rate changes on cash and cash equivalents	3,766,686	4,750,546
Increase in cash and cash equivalents	11,165,117	46,160,686
Cash and cash equivalents at beginning of the period	159,219,822	116,806,471
Cash and cash equivalents at end of the period	170,384,939	162,967,157

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

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Salman Khalid Butt
Director



1. STATUS AND NATURE OF BUSINESS

The Group consists of:

- Holding Company - MCB Bank Limited

Subsidiary Companies

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

"Percentage holding of
MCB Bank Limited"

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 1,400 branches (2019: 1,399 branches) within Pakistan and 11 branches (2019: 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 Bank is in the process of disposal of its wholly owned subsidiary "MCB Financial Services Limited" subject to all regulatory and shareholders approvals.

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 six months ended June 30, 2020 and the carrying value of investments held by the parent 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, 2020.
 - 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 39 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 Financial Reporting Standard 9, 'Financial Instruments' through BPRD Circular No. 04 of 2019 dated October 23, 2019 and International Accounting Standards 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. These unconsolidated 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, 2019.

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

There are certain 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, 2020. These are considered either to not be relevant or not to have any significant impact on the Group's 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)

IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2022
IAS 16, Property, plant and equipment (Amendments)	January 1, 2022
IAS 37, Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 17, Insurance Contracts	January 1, 2021

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, as per BPRD Circular No. 04 of 2019 dated October 23, 2019 of SBP, effective date of IFRS 9 implementation is January 01, 2021.

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.



There are other new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2021 but 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.

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, 2019.

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, 2019 except as explained in note 6.1.

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, 2019. These risk management policies continue to remain robust and the Group is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

The COVID - 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the Policy Rate by 625 basis points during the period to 7% in June 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Relaxing the debt burden ratio for consumer loans from 50% to 60%;
- Allowing banks to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history; and
- Introduction of refinancing schemes for payment of wages and salaries.

COVID 19 has impacted the banks in Pakistan from various facets which include muted credit risk increase, reduced fee income due to slowdown in economic activity, branch closures and cyber security threat management.

6.1 Credit Risk Management

The Risk Management function of the Group is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Group has further strengthened its risk appetite and related credit review procedures in the light of COVID-19, which would insulate the Group from any unforeseen shock.

As the full potential effect of the economic stress posed by the COVID-19 outbreak is difficult to predict, the management has exercised prudence and booked General Provision of Rs 4 billion during the half year ended June 30, 2020.

6.2 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and markup and rescheduling of loans there will be an impact on the maturity profile of the Group. The Asset and Liability Committee (ALCO) of the Group is continuously monitoring the liquidity position and the Group is confident that the liquidity buffer currently maintained is sufficient to address any requirement, as reflected by the cushion in liquidity ratios above the statutory requirement.

6.3 Equity Risk Management

During the first six months the Pakistan Stock Exchange fell by 15.5%, triggering an impairment of Rs 1,931.930 million. The Group has recorded an impairment of Rs 1,346.097 million resulting from the valuation of listed equity securities held as Available for Sale in the first half and has deferred the recognition of the remaining impairment to the remainder part of the calendar year 2020 and has been taken to deficit on revaluation of investments as allowed by the State Bank of Pakistan under the Para (viii) of BPRD Circular Letter No. 13 of 2020 dated March 26, 2020.

6.4 Operational Risk Management

The Group is closely monitoring the situation and has invoked required actions to ensure the safety and security of Group staff while ensuring uninterrupted service to customers. The senior management of the Group is continuously monitoring the situation and is taking timely decisions to resolve any concerns.



Business Continuity Plans (BCP) for respective areas are in place and duly tested. The Group has significantly enhanced monitoring of cyber security risk during these times. The remote work capabilities were enabled for staff, where required and related risk and control measures were assessed to ensure that the Group's assets are protected from emerging cyber threats and comply with the regulatory protocols. The Group is communicating with its customers for their financial transactions to be conducted through digital channel offerings. The Group has taken all measures to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored to meet customer requirements and expectations.

6.5 Capital Adequacy Ratio (CAR)

In order to encourage Group to continue lending, the SBP has relaxed the Capital Conversion Buffer (CCB) requirements to 1.5%, resulting in a 1% decline in CAR requirements for all Tiers.

6.6 Suspension of Dividends

The SBP through its Circular Letter No. BPRD/BA & CPD/006315-2/20 dated April 22, 2020 has advised that banks which had declared dividend for the quarter ended March 31, 2020 should suspend cash dividend distribution for the next two quarters.

7. CASH AND BALANCES WITH TREASURY BANKS

	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
In hand		
Local currency	24,045,179	20,833,520
Foreign currencies	4,727,614	2,802,190
	28,772,793	23,635,710
With State Bank of Pakistan in		
Local currency current accounts	75,465,668	62,180,493
Foreign currency current accounts	1,185,958	599,384
Foreign currency deposit accounts	11,090,785	14,320,863
	87,742,411	77,100,740
With other central banks in		
Foreign currency current accounts	10,883,558	16,220,148
With National Bank of Pakistan in		
Local currency current accounts	26,988,827	25,666,525
Prize bonds	70,687	334,235
	154,458,276	142,957,358

8. BALANCES WITH OTHER BANKS

In Pakistan		
In current account	9,415	9,183
In deposit account	1,578	4,378,142
	10,993	4,387,325
Outside Pakistan		
In current accounts	10,533,586	12,845,556
In deposit accounts	6,014,194	4,138,872
	16,547,780	16,984,428
	16,558,773	21,371,753

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	1,647,040	-
Repurchase agreement lendings (Reverse Repo)	409,735	209,205
Musharaka arrangements	300,000	2,480,000
Bai Muajjal receivable - with State Bank of Pakistan	828,790	3,371,664
	3,185,565	6,060,869



	Unaudited June 30, 2020		Audited December 31, 2019	
	Cost / Amortised cost	Surplus / (Deficit)	Provision for diminution	Carrying Value
-----Rupees in '000-----				
10. INVESTMENTS				
10.1 Investments by type:				
Held-for-trading securities				
Federal Government Securities	16,080,205	13,078	-	16,093,283
Shares	1,229,720	49,598	-	1,279,318
	17,309,925	62,676	-	17,372,601
Available-for-sale securities				
Federal Government Securities	840,940,829	30,502,481	(3,535)	871,439,775
Shares and units	28,394,672	(162,984)	(11,329,977)	16,901,711
Non Government Debt Securities	2,957,372	27,640	-	2,985,012
Foreign Securities	4,444,514	52,334	-	4,496,848
	876,737,387	30,419,471	(11,333,512)	895,823,346
Held-to-maturity securities				
Federal Government Securities	10,124,614	(2,081)	(2,211)	10,122,533
Provincial Government Securities	118	(118)	(118)	-
Non Government Debt Securities	10,446,061	(606,616)	(533,788)	9,839,445
Foreign Securities	8,423,603	(21,427)	(3,569)	8,402,176
	28,994,396	(630,242)	(539,686)	28,364,154
Associates	4,129,558	-	-	4,129,558
Total Investments	927,171,266	30,482,147	(11,963,754)	945,689,659
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				
Adjustments				
Charge / (reversals)				
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	Unaudited June 30, 2020		Audited December 31, 2019	
	NPI	Provision	NPI	Provision
-----Rupees in '000-----				
Domestic				
Doubtful	-	-	145,656	72,828
Loss	606,734	606,734	461,078	461,078
	<u>606,734</u>	<u>606,734</u>	<u>606,734</u>	<u>533,906</u>

10.2.3 In addition to the above, overseas branches hold a general provision of Rs 27.043 million (December 31, 2019: Rs 5.780 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, 2020 amounted to Rs. 25,556.883 million (December 31, 2019: Rs. 34,042.566 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, 2020 amounted to Rs. 2,317.700 million (2019: Rs. 2,946.300 million).

Investment in Adamjee Insurance Company Limited under equity method - holding 20.00% (2019: 20.00%)

	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
Opening balance	4,211,707	3,959,039
Share of profit for the period / year before tax	436,717	326,755
Dividend from associate	(105,000)	(175,000)
Share of tax	(95,334)	(109,675)
	236,383	42,080
Share of other comprehensive income	(355,796)	210,588
Closing balance	<u>4,092,294</u>	<u>4,211,707</u>
Share of other comprehensive income		
Share of unrealized surplus on assets -net of tax	(362,985)	167,219
Share of exchange translation reserve of associate	7,189	43,369
	<u>(355,796)</u>	<u>210,588</u>

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% (2019: 30.00%)

	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
Opening balance	63,951	60,487
Share of profit/(loss) for the period / year before tax	(23,911)	12,878
Share of tax	(2,776)	(9,414)
Closing balance	<u>(26,687)</u>	<u>3,464</u>
	<u>37,264</u>	<u>63,951</u>

11. ADVANCES

	Performing		Non Performing		Total	
	Unaudited June 30, 2020	Audited December 31, 2019	Unaudited June 30, 2020	Audited December 31, 2019	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----						
Loans, cash credits, running finances, etc.	441,030,385	471,613,945	49,698,399	48,759,157	490,728,784	520,373,102
Islamic financing and related assets	68,798,169	50,965,243	747,891	381,427	69,546,060	51,346,670
Bills discounted and purchased	17,109,952	19,486,758	665,102	665,102	17,775,054	20,151,860
Advances - gross	526,938,506	542,065,946	51,111,392	49,805,686	578,049,898	591,871,632
Provision against advances	-	-	(41,863,368)	(41,937,761)	(41,863,368)	(41,937,761)
- Specific	(5,630,310)	(1,461,011)	-	-	(5,630,310)	(1,461,011)
- General	(5,630,310)	(1,461,011)	(41,863,368)	(41,937,761)	(47,493,678)	(43,398,772)
Advances - net of provision	521,308,196	540,604,935	9,248,024	7,867,925	530,556,220	548,472,860
-----Rupees in '000-----						
	Unaudited June 30, 2020	Audited December 31, 2019	Unaudited June 30, 2020	Audited December 31, 2019	Unaudited June 30, 2020	Audited December 31, 2019
Particulars of advances (Gross)						
In local currency	531,096,703	532,760,442	531,096,703	532,760,442	531,096,703	532,760,442
In foreign currencies	46,953,195	59,111,190	46,953,195	59,111,190	46,953,195	59,111,190
	<u>578,049,898</u>	<u>591,871,632</u>	<u>578,049,898</u>	<u>591,871,632</u>	<u>578,049,898</u>	<u>591,871,632</u>
11.2 Advances include Rs. 51,111,392 million (2019: Rs. 49,805.686 million) which have been placed under the non-performing status as detailed below:						
Category of Classification						
Domestic						
Other Assets Especially Mentioned	11.2.1		141,903	3,291	138,432	3,529
Substandard			1,380,063	298,548	591,832	146,872
Doubtful			3,266,109	1,593,475	3,048,946	1,346,099
Loss			37,455,471	36,335,894	37,836,484	37,088,134
			42,243,546	38,231,208	41,615,694	38,584,634
Overseas						
Not past due but impaired			-	-	-	-
Overdue by:						
Upto 90 days			1,807	1,634	10,688	7,400
91 to 180 days			4,331	2,105	118,182	95,452
181 to 365 days			128,937	112,771	141,231	137,601
> 365 days			8,732,771	3,515,650	7,919,891	3,112,674
			8,867,846	3,632,160	8,189,992	3,353,121
			51,111,392	41,863,368	49,805,686	41,937,761
Total						

11.1 Particulars of advances (Gross)

In local currency
In foreign currencies

11.2 Advances include Rs. 51,111,392 million (2019: Rs. 49,805.686 million) which have been placed under the non-performing status as detailed below:

Category of Classification

Domestic

Other Assets Especially Mentioned
Substandard
Doubtful
Loss

Overseas

Not past due but impaired
Overdue by:
Upto 90 days
91 to 180 days
181 to 365 days
> 365 days

Total

11.2.1 This represents non-performing portfolio of agricultural, small enterprise and Infrastructure Project Financing classified as OAEI as per the requirements of respective Prudential Regulations issued by the State Bank of Pakistan.

11.3 Particulars of provision against advances

	Unaudited June 30, 2020			Audited December 31, 2019		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000-----					
Opening balance	41,937,761	1,461,011	43,398,772	41,944,267	1,292,113	43,236,380
Exchange adjustments	229,995	25,167	255,162	302,297	23,426	325,723
Charge for the period / year	763,606	4,222,152	4,985,758	3,359,542	174,710	3,534,252
Reversals	(948,706)	(78,020)	(1,026,726)	(3,649,841)	(29,238)	(3,679,079)
	(185,100)	4,144,132	3,959,032	(290,299)	145,472	(144,827)
Amounts written off	(119,288)	-	(119,288)	(18,504)	-	(18,504)
Closing balance	41,863,368	5,630,310	47,493,678	41,937,761	1,461,011	43,398,772

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.442.062 million (December 31, 2019: Rs.178.374 million) in determining the provisioning against non-performing Islamic financing and related assets as at June 30, 2020. The additional benefit on the Bank's statement of profit and loss arising from availing the FSV benefit - net of tax amounts to Rs 287.340 million as at June 30, 2020 (December 31, 2019: Rs 115.943 million). 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.

11.3.3 In addition, the Group has also maintained a general provision of Rs 4,650 million (December 31, 2019: Rs 527 million) against financing made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations as explained in note 6.1.

12. FIXED ASSETS

	Note	Unaudited June 30, 2020	Audited December 31, 2019
		-----Rupees in '000-----	
Capital work-in-progress	12.1	1,276,595	1,068,429
Property and equipment		52,037,660	52,466,540
Right-of-use assets		9,976,652	10,666,838
		63,290,907	64,201,807
12.1 Capital work-in-progress			
Civil works		822,241	476,799
Equipment		9,574	90,946
Advances to suppliers		404,008	491,968
Others		40,772	8,716
		1,276,595	1,068,429

12.2 Additions to fixed assets

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

	Note	Unaudited half Year ended June 30, 2020	Unaudited half Year ended June 30, 2019
		-----Rupees in '000-----	
Capital work-in-progress		314,899	336,278
Property and equipment			
Freehold land		25,327	708,245
Building on freehold land		34,833	1,008,259
Electrical office and computer equipment		315,941	688,953
Furniture and fixture		103,916	114,142
Leasehold Improvements		111,765	137,480
Vehicles		50,229	76,484
Leasehold land		6,999	-
		649,010	2,733,563
Total		963,909	3,069,841

12.3 Disposal of fixed assets

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

	Note	Unaudited half Year ended June 30, 2020	Audited December 31, 2019
Freehold land		-	21,000
Vehicles		6,971	28,910
Furniture and fixture		614	573
Electrical office and computer equipment		3,390	849
Leasehold Improvements		1,300	283
Total		12,275	51,615

13. INTANGIBLE ASSETS

	Note	Unaudited June 30, 2020	Audited December 31, 2019
		-----Rupees in '000-----	
Capital work-in-progress		330,894	472,336
Goodwill		82,127	82,127
Management rights		192,000	192,000
Computer software		1,242,504	1,232,512
		1,847,525	1,978,975

13.1 Additions to intangible assets

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

	Note	Unaudited half Year ended June 30, 2020	Unaudited half Year ended June 30, 2019
		-----Rupees in '000-----	
Capital work-in-progress		14,530	-
Directly purchased		72,242	257,037
		86,772	257,037

14. OTHER ASSETS

	Note	Unaudited June 30, 2020	Audited December 31, 2019
		-----Rupees in '000-----	
Income/ mark-up accrued in local currency		27,300,723	24,533,964
Income/ mark-up accrued in foreign currencies		668,412	564,667
Advances, deposits, advance rent and other prepayments		2,380,470	3,940,446
Compensation for delayed income tax refunds		133,809	133,809
Non-banking assets acquired in satisfaction of claims		3,235,832	3,251,508
Branch adjustment account		67,164	77,281
Mark to market gain on forward foreign exchange contracts		2,997,691	3,848,188
Unrealized gain on derivative financial instruments		1,186,368	1,236,517
Acceptances	20	19,933,620	20,346,205
Receivable from the pension fund		1,239,559	3,605,121
Others		8,293,271	10,118,430
		67,436,919	71,656,136
Less: Provision held against other assets	14.1	2,644,288	2,604,137
Other Assets (net of provision)		64,792,631	69,051,999
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		677,660	677,660
Other Assets - total		65,470,291	69,729,659

14.1 Provision held against other assets

Non banking assets acquired in satisfaction of claims	90,938	90,938
Claims against fraud and forgeries	499,238	-
Others	2,054,112	2,513,199
	2,644,288	2,604,137

14.1.1 Movement in provision held against other assets

	Note	Unaudited half Year ended June 30, 2020	Audited December 31, 2019
Opening balance		2,604,137	2,550,585
Charge for the period / year		1,311	12,587
Reversals		(19,188)	(36,023)
		(17,877)	(23,436)
Amounts written off		(3,922)	(3,638)
Exchange and other adjustments		61,950	80,626
Closing balance		2,644,288	2,604,137

15. CONTINGENT ASSETS

There were no contingent assets of the Group as at June 30, 2020 (2019: NIL).



	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
16. BILLS PAYABLE		
In Pakistan	12,538,610	12,759,834
Outside Pakistan	74,287	35,491
	<u>12,612,897</u>	<u>12,795,325</u>
17. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
Under export refinance scheme	38,109,698	36,513,083
Under long term financing facility	20,360,284	18,138,200
Under renewable energy performance platform	77,834	85,062
Under payment of Wages & Salaries	1,984,481	-
Under financing facility for storage of agricultural produce	215,346	188,809
	<u>60,747,643</u>	<u>54,925,154</u>
Repurchase agreement borrowings	52,657,800	28,099,229
Total secured	<u>113,405,443</u>	<u>83,024,383</u>
Unsecured		
Borrowings from other financial institution	2,100,791	889,161
Call borrowings	265,305	5,964,830
Overdrawn nostro accounts	632,110	1,342,603
Musharaka arrangements	506,721	1,476,705
Others	162,286	162,286
Total unsecured	<u>3,667,213</u>	<u>9,835,585</u>
	<u>117,072,656</u>	<u>92,859,968</u>

18. DEPOSITS AND OTHER ACCOUNTS

	Unaudited June 30, 2020			Audited December 31, 2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000-----						
Customers						
Current deposits	426,606,566	50,534,795	477,141,361	357,303,848	53,340,189	410,644,037
Savings deposits	678,903,046	51,704,589	730,607,635	583,751,817	47,420,170	631,171,987
Term deposits	72,609,973	13,733,424	86,343,397	100,346,882	15,590,901	115,937,783
Others	35,021,420	3,340,067	38,361,487	26,456,179	2,854,010	29,310,189
	<u>1,213,141,005</u>	<u>119,312,875</u>	<u>1,332,453,880</u>	<u>1,067,858,726</u>	<u>119,205,270</u>	<u>1,187,063,996</u>
Financial Institutions						
Current deposits	12,187,314	1,658,272	13,845,586	9,520,075	2,094,703	11,614,778
Savings deposits	14,240,717	43,285	14,284,002	14,992,263	27,986	15,020,249
Term deposits	4,809,468	5,794,997	10,604,465	4,959,099	7,741,444	12,700,543
Others	-	160,075	160,075	-	193,459	193,459
	<u>31,237,499</u>	<u>7,656,629</u>	<u>38,894,128</u>	<u>29,471,437</u>	<u>10,057,592</u>	<u>39,529,029</u>
	<u>1,244,378,504</u>	<u>126,969,504</u>	<u>1,371,348,008</u>	<u>1,097,330,163</u>	<u>129,262,862</u>	<u>1,226,593,025</u>



	Note	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
19. DEFERRED TAX LIABILITIES			
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets		1,366,020	1,390,542
- Surplus on revaluation of Non-banking assets		237,181	237,181
- Accelerated tax depreciation		1,939,965	1,961,113
- Receivable from pension fund		433,846	1,261,793
- Business combination		705,218	705,218
- Investments in associated undertaking		1,205,545	1,247,340
- Surplus/deficit on revaluation of investments		10,646,815	2,329,519
		<u>16,534,590</u>	<u>9,132,706</u>
Deductible Temporary Differences on			
- Tax losses carried forward		(840,983)	(949,800)
- Provision against advances		(3,317,786)	(1,726,151)
- Others		(293,905)	(242,532)
		<u>(4,452,674)</u>	<u>(2,918,483)</u>
		<u>12,081,916</u>	<u>6,214,223</u>
20. OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency		3,865,836	23,511,019
Mark-up/ return/ interest payable in foreign currencies		255,668	664,130
Unearned commission and income on bills discounted		274,779	252,842
Accrued expenses		5,044,366	6,310,392
Provision for taxation (provisions less payments)		9,532,780	6,045,948
Workers' welfare fund	20.1	8,318,793	7,873,706
Acceptances	14	19,933,620	20,346,205
Unclaimed / dividends payable		1,714,295	1,605,123
Mark to market loss on forward foreign exchange contracts		2,382,336	4,638,011
Unrealised loss on derivative financial instruments		1,182,033	1,232,806
Staff welfare fund		3,755	5,727
Provision for employees' compensated absences		1,041,980	939,495
Provision for post retirement medical benefits		2,094,346	1,921,348
Provision for employees' contributory benevolent scheme		250,398	221,193
Retention money		20,657	20,657
Insurance payable against consumer assets		562,087	655,146
Unclaimed balances		892,242	993,105
Duties and taxes payable		2,034,110	775,694
Charity fund balance		35,410	54,782
Provision against off-balance sheet obligations		46,653	46,581
Security deposits against lease		1,398,888	1,497,296
Branch adjustment account		101,037	-
Lease liability against right of use assets		11,218,815	11,436,633
Others		8,492,673	11,357,674
		<u>80,697,557</u>	<u>102,405,513</u>
20.1	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.		
21. RESERVES			
Share premium		23,973,024	23,973,024
Non- distributable capital reserve - gain on bargain purchase option	21.1	908,317	908,317
Exchange translation reserve		3,569,662	2,730,354
Statutory reserve	21.2	33,014,106	31,683,134
General reserve		18,600,000	18,600,000
		<u>80,065,109</u>	<u>77,894,829</u>



21.1 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.

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

22. 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

23. CONTINGENCIES AND COMMITMENTS

- Guarantees
- Commitments
- Other contingent liabilities

23.1 Guarantees:

- Financial guarantees
- Performance guarantees
- Other guarantees

23.2 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
 - commitments to extent credit

Commitments for acquisition of:

- operating fixed assets
- intangible assets

23.2.1 Commitments in respect of forward foreign exchange contracts

- Purchase
- Sale

Note	Unaudited June 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
10.1	30,419,471	6,655,770
	20,961,195	21,031,256
	677,660	677,660
	248,264	611,247
	52,306,590	28,975,933
	10,646,815	2,329,519
	1,366,020	1,390,542
	237,181	237,181
	141,957	266,485
	12,391,973	4,223,727
	39,914,617	24,752,206
23.1	189,045,775	180,002,174
23.2	347,485,871	657,101,777
23.3	31,233,154	28,352,091
	567,764,800	865,456,042
	151,387,602	141,181,839
	33,100,782	33,833,099
	4,557,391	4,987,236
	189,045,775	180,002,174
	137,707,458	153,036,304
23.2.1	183,736,687	404,891,089
23.2.2	17,218,440	87,696,638
23.2.3	7,415,438	10,244,806
	158,202	307,755
	1,176,975	859,953
	72,671	65,232
	347,485,871	657,101,777
	111,003,579	216,647,656
	72,733,108	188,243,433
	183,736,687	404,891,089



Note	Unaudited June 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
23.2.2 Commitments in respect of forward government securities transactions		
Purchase	16,956,208	82,284,304
Sale	262,232	5,412,334
	17,218,440	87,696,638
23.2.3 Commitments in respect of derivatives		
FX options (notional)		
Purchase	63,433	431,449
Sale	63,433	431,449
	126,866	862,898
Cross Currency Swaps (notional)		
Purchase	3,408,368	4,428,663
Sale	3,563,704	4,636,745
	6,972,072	9,065,408
Interest Rate Swaps (notional)		
Purchase	316,500	316,500
	7,415,438	10,244,806

23.2.4 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.

23.3 Other contingent liabilities

Claims against the Group not acknowledged as debts	23.3.1	31,233,154	28,352,091
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23.3.1 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.

23.4 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. 1,487 million (2019: Rs. 1,487 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 these condensed interim 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.

24. DERIVATIVE INSTRUMENTS

	Unaudited June 30, 2020					
	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	3,408,368	1,180,562	316,500	3,040	63,433	2,766
Market Making	3,563,704	(1,179,267)	-	-	63,433	(2,766)
	-----Rupees in '000-----					
Total						
Hedging	4,428,663	1,218,634	316,500	11,510	431,449	2,683
Market Making	4,636,745	(1,226,433)	-	-	431,449	(2,683)



	Note	Unaudited half Year ended June 30, 2020	Unaudited half Year ended June 30, 2019
-----Rupees in '000-----			
25. MARK-UP/RETURN/INTEREST EARNED			
Loans and advances		29,887,052	30,007,273
Investments		49,453,561	29,503,271
Lendings to financial institutions		797,002	3,627,611
Balances with banks		270,974	280,123
		<u>80,408,589</u>	<u>63,418,278</u>
26. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		36,456,056	29,182,289
Borrowings		3,694,589	2,883,430
Subordinated debt		-	213,604
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,200,521	1,092,168
Unwinding cost of liability against right-of-use assets		804,608	467,237
		<u>42,155,774</u>	<u>33,838,728</u>
27. FEE & COMMISSION INCOME			
Branch banking customer fees		946,071	949,785
Consumer finance related fees		191,363	164,142
Card related fees (debit and credit cards)		1,556,444	1,446,732
Credit related fees		14,765	108,557
Investment banking fee		71,482	85,381
Commission on trade		665,174	770,798
Commission on guarantees		317,793	334,409
Commission on cash management		286,992	334,914
Commission on remittances including home remittances		519,685	569,231
Commission income - Bancassurance		498,653	683,875
Rent on lockers		106,977	124,914
Commission on utility bills		36,734	49,115
Commission on investments services		360,833	384,019
Other Commission		85,150	63,190
		<u>5,658,116</u>	<u>6,069,062</u>
28. GAIN ON SECURITIES, NET			
Realised	28.1	(120,340)	(95,036)
Unrealised - held for trading	10.1	62,676	(82,646)
		<u>(57,664)</u>	<u>(177,682)</u>
28.1 Realised gain / (loss) on:			
Federal Government Securities		183,380	7,948
Shares		(315,800)	(102,984)
Others		12,080	-
		<u>(120,340)</u>	<u>(95,036)</u>
29. OTHER INCOME			
Rent on property		12,628	20,378
Gain on conversion of Ijarah agreements		52,549	-
Gain on sale of fixed assets-net		18,982	36,625
		<u>84,159</u>	<u>57,003</u>



	Unaudited half Year ended June 30, 2020	Unaudited half Year ended June 30, 2019
-----Rupees in '000-----		
30. OPERATING EXPENSES		
Total compensation expense	9,151,578	8,505,312
Property expense		
Rent and taxes	116,291	264,809
Insurance	29,563	29,759
Utilities cost	552,665	548,811
Fuel expense generators	156,053	264,488
Security (including guards)	717,700	861,865
Repair and maintenance (including janitorial charges)	364,031	513,615
Depreciation on right-of-use assets	820,537	791,166
Depreciation	403,281	306,556
	<u>3,160,121</u>	<u>3,581,069</u>
Information technology expenses		
Software maintenance	657,788	690,337
Hardware maintenance	186,999	221,857
Depreciation	336,149	282,055
Amortisation	227,611	188,591
Network charges	361,367	345,754
Insurance	3,070	2,971
	<u>1,772,984</u>	<u>1,731,565</u>
Other operating expenses		
Directors' fees and allowances	21,956	23,347
Remuneration to shariah board members	5,080	4,022
Legal and professional charges	167,249	201,410
Outsourced services costs	437,240	419,309
Travelling and conveyance	146,697	197,142
NIFT clearing charges	95,164	82,188
Depreciation	450,718	493,260
Depreciation on non-banking assets acquired in satisfaction of claims	15,675	24,124
Training and development	15,898	28,713
Postage and courier charges	166,202	166,414
Communication	167,607	179,929
Stationery and printing	296,161	384,332
Marketing, advertisement & publicity	340,931	438,341
Donations	112,596	-
Auditors' remuneration	21,730	20,908
Cash transportation charges	338,437	367,222
Repair and maintenance	165,693	182,903
Subscription	21,603	4,667
Entertainment	100,963	133,328
Remittance charges	95,524	103,543
Brokerage expenses	23,419	21,160
Card related expenses	419,694	444,920
CNIC verification charges	53,129	112,886
Insurance	788,743	748,953
Others	130,942	208,490
	<u>4,599,051</u>	<u>4,991,511</u>
	<u>18,683,734</u>	<u>18,809,457</u>

	Note	Unaudited half Year ended June 30, 2020	Unaudited half Year ended June 30, 2019
-----Rupees in '000-----			
31. OTHER CHARGES			
Penalties of State Bank of Pakistan		183,601	15,277
VAT & National Building tax & Crop Insurance Levy		56,579	91,603
		<u>240,180</u>	<u>106,880</u>
32. PROVISIONS / (REVERSALS) & WRITE OFFS - NET			
Reversal against balance with Banks		(1,658)	(506)
Provision for diminution in value of investments	10.2.1	200,967	1,707,792
Provision / (reversal) against loans and advances	11.3	3,959,032	(690,695)
Reversal against other assets	14.1.1	(17,877)	(29,144)
Recovery of written off / charged off bad debts		(64,442)	(79,948)
		<u>4,076,022</u>	<u>907,499</u>
33. TAXATION			
Current		10,719,826	7,000,058
Prior years		(7,658)	450,124
Deferred		(1,437,013)	14,386
Share of tax of associates		98,110	89,160
		<u>9,373,265</u>	<u>7,553,728</u>
34. BASIC AND DILUTED EARNINGS PER SHARE			
-----Rupees in '000-----			
Profit after tax attributable to Equity Shareholders of the Bank		<u>13,425,378</u>	<u>10,420,807</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>11.33</u>	<u>8.79</u>

35. 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 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.

35.1 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 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 period.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of 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.

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2020

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, 2020				Total
	Carrying value	Level 1	Level 2	Level 3	
Rupees in '000					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	887,533,058	-	887,533,058	-	887,533,058
Shares	16,772,350	16,772,350	-	-	16,772,350
Non-Government Debt Securities	2,985,012	-	2,985,012	-	2,985,012
Foreign Securities	4,489,450	-	4,489,450	-	4,489,450
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares, and associates)	33,909,789	-	-	-	-
Cash and balances with treasury banks	154,458,276	-	-	-	-
Balances with other banks	16,558,773	-	-	-	-
Lendings to financial institutions	3,185,565	-	-	-	-
Advances	530,556,220	-	-	-	-
Other assets	57,826,735	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	43,377,704	-	43,377,704	-	43,377,704
Non-banking assets	3,822,554	-	3,822,554	-	3,822,554
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	111,003,579	-	2,933,545	-	2,933,545
Forward sale of foreign exchange	72,733,108	-	2,318,190	-	2,318,190
Derivatives purchase	3,788,301	-	1,186,368	-	1,186,368
Derivatives sale	3,627,137	-	1,182,033	-	1,182,033
Audited December 31, 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	691,477,045	-	691,477,045	-	691,477,045
Shares	17,075,189	17,075,189	-	-	17,075,189
Non-Government Debt Securities	2,424,102	-	2,424,102	-	2,424,102
Foreign Securities	3,663,065	-	3,663,065	-	3,663,065
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares, and associates)	42,802,189	-	-	-	-
Cash and balances with treasury banks	142,957,358	-	-	-	-
Balances with other banks	21,371,753	-	-	-	-
Lendings to financial institutions	6,060,869	-	-	-	-
Advances	548,472,860	-	-	-	-
Other assets	58,219,618	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	44,882,204	-	44,882,204	-	44,882,204
Non-banking assets	3,838,230	-	3,838,230	-	3,838,230
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	216,647,656	-	4,142,227	-	4,142,227
Forward sale of foreign exchange	188,243,433	-	3,352,404	-	3,352,404
Derivatives purchase	5,176,612	-	1,232,827	-	1,232,827
Derivatives sale	5,068,194	-	1,229,116	-	1,229,116



Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)
For The Half Year Ended June 30, 2020



	Unaudited half year ended June 30, 2020										Total	
	Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	Islamic Banking	Asset Management	others	Sub-total	Eliminations		
Rupees in '000												
Profit & Loss												
Net mark-up/return/profit	27,559,260	1,413,318	17,388,362	44,012,291	758,146	2,191,922	(5,347)	53,383	38,252,815	-	-	38,252,815
Inter segment revenue - net	51,405,698	(341,750)	(14,511,898)	(40,745,318)	(40,431)	-	362,326	4,233,689	8,039,306	-	-	8,039,306
Non mark-up / return / interest income	3,001,626	839,091	1,560,124	1,081,216	389,622	333,032	356,979	472,269	46,292,121	-	-	46,292,121
Total income	26,848,064	1,910,659	4,436,588	4,348,189	1,107,337	2,524,954	202,921	4,759,351	19,369,001	-	-	19,369,001
Segment direct expenses	10,709,498	734,317	291,724	205,675	658,988	2,274,495	202,921	4,291,383	19,369,001	-	-	19,369,001
Inter segment expense allocation	10,709,498	-	291,724	205,675	658,988	2,274,495	202,921	4,291,383	19,369,001	-	-	19,369,001
Total expenses	60,374	80,643	132,357	116,820	69,294	114,237	-	3,502,297	4,076,022	-	-	4,076,022
Provisions	16,078,192	1,085,699	4,012,507	4,025,694	379,055	136,222	154,058	(3,034,329)	22,847,098	-	-	22,847,098
Profit before tax	55,106,944	175,171	1,163,300	79,420,765	22,227,261	12,123,684	19,815	780,109	171,017,049	-	-	171,017,049
Balance Sheet												
Cash & Bank balances	1,033,036,840	-	11,266,166	888,470,781	16,519,836	24,619,401	1,195,184	3,618,291	1,232,339,005	-	-	945,689,659
Investments	92,298,606	23,238,258	313,764,259	-	2,056,775	1,128,790	-	199,302,165	3,185,565	-	-	3,185,565
Net inter segment lending	663,280	395,774	1,511,143	-	22,762,182	68,687,233	-	537,658	521,308,196	-	-	521,308,196
Lendings to financial institutions	34,794,268	2,063,790	23,483,940	17,717,230	5,235,685	720,251	-	721,891	9,248,024	-	-	9,248,024
Advances - performing	1,215,899,938	25,862,993	351,188,808	985,608,776	70,926,455	119,464,162	1,060,294	37,209,682	130,608,723	-	-	130,608,723
- non performing	49,997,305	-	7,619,601	52,176,320	3,094,314	3,685,418	-	499,698	117,072,656	-	-	117,072,656
Total Assets	1,147,391,120	5,132,608	289,645,221	931,839,446	13,760,121	10,413,293	1,548,316	14,660	1,371,348,008	-	-	1,371,348,008
Borrowings	18,511,513	2,333,306	15,645,715	1,593,010	3,484,951	8,685,642	726,977	54,411,256	105,392,370	-	-	105,392,370
Deposits & other accounts	1,215,899,938	25,862,993	351,188,808	985,608,776	70,926,455	119,464,162	2,275,293	54,925,614	2,826,152,039	-	-	1,593,813,034
Net inter segment borrowing	-	-	-	-	-	-	-	187,244,182	187,244,182	-	-	187,244,182
Others	-	-	-	-	-	-	-	242,169,796	3,013,396,221	-	-	1,781,057,216
Total Liabilities	1,215,899,938	25,862,993	351,188,808	985,608,776	70,926,455	119,464,162	2,275,293	242,169,796	3,013,396,221	-	-	1,781,057,216
Equity	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity & liabilities	58,187,888	-	247,077,504	200,467,569	10,260,493	19,479,463	-	32,291,883	567,764,800	-	-	567,764,800
Contingencies & Commitments												

36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

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

	Unaudited June 30, 2020			Audited December 31, 2019		
	Directors	Key Management Personnel	Other Related Parties	Directors	Key Management Personnel	Other Related Parties
(Rupees in '000)						
Other Assets						
Markup receivable	-	3,036	15	-	3,202	5,191
Advances, deposits, advance rent and other prepayments	-	-	186,973	-	-	27,080
Receivable from Pension Fund	-	-	-	-	246,720	3,605,121
Provision held against other assets	-	-	-	-	-	-
Borrowings						
Opening balance	-	-	69,166	-	-	-
Borrowings / exchange adjustment during the period / year	-	-	13,949	-	-	144,166
Settled during the period / year	-	-	-	-	-	(75,000)
Closing balance	-	-	83,115	-	-	69,166
Deposits and other accounts						
Opening balance	602,381	140,761	3,657,552	3,745,457	168,528	3,339,847
Received during the period / year	394,326	591,768	38,995,354	9,889,584	866,766	22,234,251
Withdrawn during the period / year	(724,836)	(610,539)	(39,084,188)	(13,025,336)	(894,532)	(21,916,546)
Transfer in / (out) - net	-	(7,959)	(503,148)	(7,324)	(10,001)	-
Closing balance	271,871	114,031	3,568,718	602,381	140,761	3,657,552
Other Liabilities						
Markup payable	-	-	8,395	7,263	556	50,535
Accrued expenses and other payable	1,292	-	145,144	15,326	-	62,402
Payable to MCB Employee Security Services	-	-	-	-	-	24,565
Contingencies and Commitments						
Commitments and contingent liabilities - outstanding	-	-	10,606	-	-	10,444
			1,217,060			746,868

	Unaudited half Year ended June 30, 2020			Unaudited half Year ended June 30, 2019		
	Directors	Key Management Personnel	Other Related Parties	Directors	Key Management Personnel	Other Related Parties
(Rupees in '000)						
Income						
Markup / return / interest earned	-	6,705	15	-	7,247	10,578
Fee and commission income	-	-	418,858	-	-	9,314
Dividend income	-	-	105,000	-	582,985	6,800
Gain on forward foreign exchange contracts matured during the period	-	-	43,062	-	105,000	17,522
Net gain / (loss) on sale of securities	72	33	495	-	(70)	3,265
Gain on sale of fixed assets	-	17	-	-	116	-
Rent income and reimbursement of other expenses	-	-	4,455	-	-	2,025
Expense						
Markup / return / interest expensed	22,774	1,202	110,421	91,046	789	171,011
Other Operating expenses						
Clearing expenses paid to NIFT	-	-	-	-	-	72,992
Contribution to provident fund	-	-	197,239	-	-	184,476
Rent expenses	-	-	21,299	-	-	18,640
Cash sorting expenses	-	-	56,415	-	-	80,647
Stationery expenses	-	-	121,204	-	-	131,995
Security guards expenses	-	-	165,324	-	-	189,657
Remuneration to key executives and non-executive directors fee	108,475	328,036	-	96,692	282,546	-
Outsourcing service expenses	-	-	138,301	-	117,432	-
Donation during the year	-	-	95,000	-	-	-
E-dividend processing fee and CDC charges	-	-	2,638	-	-	3,368
Travelling Expenses	-	-	17,456	-	-	13,934
Hotel stay expenses	-	-	3,110	-	-	784
Repair & Maintenance Charges	-	-	938	-	-	-
Advertisement Expenses	-	-	6,264	-	-	5,220
Miscellaneous expenses and payments	-	-	889	-	-	10
Insurance premium-net of refund	-	-	270,375	-	-	-
Insurance claim settled	-	-	18,232	-	-	371,783
Other Transactions						
Proceeds from sale of fixed assets	-	18	-	-	116	-
Purchase of fixed assets	-	-	3,277	-	-	26,373
Sale of government securities	188,884	64,784	3,154,645	42,438	39,782	9,916,427
Purchase of government securities	19,827	-	631,712	-	24,980	5,826,379
Forward exchange contracts matured during the period	-	-	-	-	-	9,630,628

RELATED PARTY TRANSACTIONS

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, 2020	Audited December 31, 2019
-----Rupees in '000-----		
38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
38.1 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	134,341,034	132,504,188
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	134,341,034	132,504,188
Eligible Tier 2 Capital	48,674,110	28,503,091
Total Eligible Capital (Tier 1 + Tier 2)	183,015,144	161,007,279
Risk Weighted Assets (RWAs):		
Credit Risk	649,202,264	662,366,497
Market Risk	165,818,564	113,394,030
Operational Risk	126,966,330	126,966,330
Total	941,987,158	902,726,857
Common Equity Tier 1 Capital Adequacy ratio	14.26%	14.68%
Tier 1 Capital Adequacy Ratio	14.26%	14.68%
Total Capital Adequacy Ratio	19.43%	17.84%
38.2 Leverage Ratio (LR):		
Eligible Tier-1 Capital	134,341,034	132,504,188
Total Exposures	2,177,619,037	2,037,241,480
Leverage Ratio	6.17%	6.50%
38.3 Liquidity Requirements		
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	906,546,081	734,587,045
Total Net Cash Outflow	405,912,874	379,626,249
Liquidity Coverage Ratio	223.34%	193.50%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,184,581,144	1,045,877,006
Total Required Stable Funding	702,208,064	745,689,676
Net Stable Funding Ratio	168.69%	140.26%



39 ISLAMIC BANKING BUSINESS

The Group through a wholly owned subsidiary (MCB Islamic Bank Limited) is operating 179 branches in Pakistan (December 31, 2019: 185 branches). The statement of financial position of the Group's Islamic Banking Business as at June 30, 2020 is as follows:

	Note	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
ASSETS			
Cash and balances with treasury banks		10,290,578	10,252,547
Balances with other banks		1,833,108	8,822,985
Due from financial institutions	39.1	1,128,790	5,851,664
Investments - net	39.2	24,619,401	16,309,800
Islamic financing and related assets - net	39.3	69,407,484	51,309,967
Fixed assets		5,577,869	5,779,772
Intangible assets		671,148	719,723
Deferred tax assets - net		978,470	921,017
Other assets - net		5,940,403	5,049,786
Total Assets		120,447,251	105,017,261
LIABILITIES			
Bills payable		2,108,670	973,627
Due to financial institutions		3,685,418	4,127,526
Deposits and other accounts	39.4	96,679,809	81,853,511
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities - net		-	-
Other liabilities		7,560,059	7,595,796
		110,033,956	94,550,460
NET ASSETS		10,413,295	10,466,801
REPRESENTED BY			
Share capital		11,550,000	11,550,000
Reserves		36,474	26,444
Surplus on revaluation of assets - net of tax		317,837	422,326
Accumulated loss		(1,491,016)	(1,531,969)
		10,413,295	10,466,801
CONTINGENCIES AND COMMITMENTS	39.5		

The profit and loss account of the Group's Islamic banking branches for the half year ended June 30, 2020 is as follows:

Note	Quarter ended June 30, 2020	Half Year ended June 30, 2020	Quarter ended June 30, 2019	Half Year ended June 30, 2019
	-----Rupees in '000-----			
Profit / return earned	2,671,478	5,233,242	2,373,725	4,368,617
Profit / return expensed	1,436,452	3,041,319	1,398,120	2,634,746
Net spread earned	1,235,026	2,191,923	975,605	1,733,871
OTHER INCOME				
Fee and commission income	66,738	137,243	75,544	141,152
Dividend income	10,033	17,799	32,582	44,007
Foreign exchange income	(3,756)	105,543	38,574	59,089
Gain / (loss) on securities	9,226	9,590	(10,268)	(43,077)
Other income	57,551	62,857	4,336	9,402
Total other income	139,792	333,032	140,768	210,573
Total income	1,374,818	2,524,955	1,116,373	1,944,444
OTHER EXPENSES				
Operating expenses	1,177,191	2,268,619	1,098,427	2,219,887
Workers welfare fund	4,145	5,816	-	-
Other charges	-	62	(34)	43
Total other expenses	1,181,336	2,274,497	1,098,393	2,219,930
Profit / (loss) before provisions	193,482	250,458	17,980	(275,486)
Provisions and write offs - net	79,812	114,236	112,172	149,669
Extra ordinary / unusual items	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	113,670	136,222	(94,192)	(425,155)
Taxation	69,721	86,073	(78,206)	(148,787)
PROFIT / (LOSS) AFTER TAXATION	43,949	50,149	(15,986)	(276,368)

39.1 DUE FROM FINANCIAL INSTITUTIONS

	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
Secured		
Bai Muajjal receivable - with State Bank of Pakistan	828,790	3,371,664
Unsecured		
Musharaka arrangements	300,000	2,480,000
	1,128,790	5,851,664

	Unaudited June 30, 2020				Audited December 31, 2019			
	Cost/Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
-----Rupees in '000-----								
39.2 Investments by type:								
Available-for-sale securities								
Federal Government securities	19,527,965	-	(31,337)	19,496,628	10,899,070	-	(7,384)	10,891,686
Shares	1,910,825	(1,069,172)	22,003	863,656	1,908,146	(1,059,172)	175,625	1,024,599
Non Government securities	1,081,500	-	16,790	1,098,290	1,119,000	-	(1,312)	1,117,688
	22,520,290	(1,069,172)	7,456	21,458,574	13,926,216	(1,059,172)	166,929	13,033,973
Held-to-maturity securities								
Federal Government securities	2,700,827	-	-	2,700,827	2,700,827	-	-	2,700,827
Non Government securities	460,000	-	-	460,000	575,000	-	-	575,000
	3,160,827	-	-	3,160,827	3,275,827	-	-	3,275,827
Total Investments	25,681,117	(1,069,172)	7,456	24,619,401	17,202,043	(1,059,172)	166,929	16,309,800

	Unaudited June 30, 2020	Audited December 31, 2019
-----Rupees in '000-----		
39.3 Islamic financing and related assets		

Murabaha	9,750,128	7,609,830
Musawamah	-	2,000
Istisna	3,896,032	2,603,493
Salam	57,069	111,287
Ijarah	3,808,169	4,881,400
Running Musharaka	32,117,582	16,669,096
Diminishing Musharaka	18,726,003	18,176,482
Staff finance	1,191,077	1,293,082
Gross Islamic financing and related assets	69,546,060	51,346,670
Less: provision against Islamic financings		
- Specific	(27,640)	(3,340)
- General	(110,936)	(33,363)
	(138,576)	(36,703)
Islamic financing and related assets - net of provision	69,407,484	51,309,967

39.4 Deposits

	Unaudited June 30, 2020	Audited December 31, 2019
Customers		
Current deposits	27,406,302	22,191,828
Savings deposits	41,352,197	33,716,605
Term deposits	18,825,443	15,122,076
Others	4,281,007	4,918,750
	91,864,949	75,949,259
Financial Institutions		
Current deposits	107,042	100,334
Savings deposits	967,318	1,988,287
Term deposits	3,740,500	3,815,631
	4,814,860	5,904,252
	96,679,809	81,853,511

39.5 Contingencies and Commitments

-Guarantees	7,466,351	6,467,046
-Commitments	12,976,812	11,498,973
-Other contingent liabilities	485,637	431,439
	20,928,800	18,397,458

	Unaudited June 30, 2020	Unaudited June 30, 2019
-----Rupees in '000-----		
39.6 Profit/Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	3,858,022	3,350,478
Investments	1,087,092	764,931
Musharaka arrangements with financial institutions	164,561	226,331
Deposits with financial institutions	123,567	26,877
	<u>5,233,242</u>	<u>4,368,617</u>
39.7 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	2,635,071	2,133,260
Musharaka arrangements with the State Bank of Pakistan under IERS	29,194	24,534
Musharaka arrangements with other financial institutions	171,847	311,347
Musharaka arrangements with other institution	7,900	2,064
Unwinding of liability against ROU asset	197,307	163,541
	<u>3,041,319</u>	<u>2,634,746</u>
		Audited December 31, 2019
39.8 Islamic Banking Business Unappropriated Profit		
Opening Balance	(1,531,969)	(1,289,202)
Movement during the period / year		
Islamic Banking profit/(loss) before tax	136,222	(365,759)
Taxation	(86,073)	122,147
Other adjustments	(9,196)	845
	<u>40,953</u>	<u>(242,767)</u>
Closing Balance	<u>(1,491,016)</u>	<u>(1,531,969)</u>

40 EVENTS AFTER THE REPORTING DATE

In compliance with the SBP's instructions as disclosed in note 6.6 to the consolidated condensed interim financial statements, the Board of Directors, in its meeting held on August 20, 2020 has not declared any cash dividend in respect of the quarter ended June 30, 2020 (June 30, 2019: Rs 4 per share). Therefore, there is no non-adjusting event after the balance sheet date.

41 GENERAL

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

42 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 20, 2020.


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer


Mian Umer Mansha
Director


Muhammad Ali Zeb
Director


Salman Khalid Butt
Director