



# Half Yearly **Report**

JUNE 30, 2023

# Vision

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

# 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.

# Core 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:

<b>Mian Mohammad Mansha</b> Mr. Muhammad Tariq Rafi Mian Umer Mansha Mrs. Iqraa Hassan Mansha Mr. Muhammad Ali Zeb Mr. Mohd Suhail Amar Suresh bin Abdullah Mr. Yahya Saleem Mr. Salman Khalid Butt Mr. Shahzad Hussain Mr. Masood Ahmed Puri Mr. Shariffuddin Bin Khalid Mr. Shaikh Muhammad Jawed Mr. Shoaib Mumtaz	<b>Chairman</b> Director Director Director Director Director Director Director Director Director Director Director President & CEO
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## Audit Committee:

<b>Mr. Shahzad Hussain</b> Mian Umer Mansha Mr. Muhammad Ali Zeb Mr. Shariffuddin Bin Khalid	<b>Chairman</b> Member Member Member
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<b>Chief Financial Officer:</b>	Mr. Hammad Khalid
<b>Company Secretary (Acting):</b>	Mr. Farid Ahmad
<b>Auditors:</b>	M/s. A. F. Ferguson & Co. Chartered Accountants
<b>Legal Advisors:</b>	M/s. Khalid Anwer & Co. Advocates & Legal Consultants
<b>Registered /Principal Office:</b>	MCB Building, 15-Main Gulberg, Jail Road, Lahore, Pakistan.
<b>Contact us:</b>	UAN: + 92 42 111 000 622 E-mail: investor.relations@mcb.com.pk Visit us: www.mcb.com.pk
<b>Registrar's and Share Registration Office(s):</b>	<b>Head Office:</b> M/s. THK Associates (Pvt.) Limited Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase VII, Karachi, Pakistan.  <b>Branch Office:</b> M/s. THK Associates (Pvt.) Limited Office No. 309, 3rd Floor, North Tower, LSE Building, 19-Shahrah-e-Aiwan-e-Iqbal, Lahore, Pakistan.



On behalf of the Board of Directors, we are pleased to present the financial statements of MCB Bank Limited (MCB) for the half year ended June 30, 2023.

### Performance Review

On a standalone basis, the profit before and after taxation for the period ended June 30, 2023 together with appropriations is as under:

	Rs. in Million
<b>Profit Before Taxation</b>	<b>53,842</b>
Taxation	27,155
<b>Profit After Taxation</b>	<b>26,687</b>
Un-appropriated Profit Brought Forward	70,425
Surplus realized on disposal of revalued fixed assets- net of tax	1,097
Surplus realized on disposal of non-banking assets- net of tax	19
Re-measurement gain on defined benefit obligation net of tax	292
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	76
	<b>71,909</b>
<b>Profit Available for Appropriation</b>	<b>98,596</b>
<b>Appropriations:</b>	
Statutory Reserve	(2,669)
Final Cash Dividend at Rs. 6.0 per share - December 2022	(7,110)
First Interim Dividend at Rs. 6.0 per share – March 2023	(7,110)
<b>Total Appropriations</b>	<b>(16,889)</b>
<b>Un-appropriated Profit Carried Forward</b>	<b>81,707</b>

Through the focused efforts of Bank's management in building no-cost deposits, MCB achieved substantial growth in core earnings, resulting in an impressive 65% year-on-year increase in Profit Before Tax (PBT) for the half-year ending on June 30, 2023, reaching Rs. 53.84 billion. Profit After Tax (PAT) posted a remarkable growth of 140% to reach Rs. 26.69 billion; translating into Earning Per Share (EPS) of Rs. 22.52 compared to EPS of Rs. 9.39 reported in the corresponding period last year.

On the back of strong volumetric growth in current account and timely repositioning of the asset book, net interest income for the period under review increased by 72% over corresponding period last year.

Non-markup income increased to Rs. 14.1 billion (+9%) against Rs. 12.9 billion in the corresponding period last year with major contributions coming in from fee commission income (Rs. 8.8 billion), income from dealing in foreign currency (Rs. 3.6 billion) and dividend income (Rs. 1.5 billion).

Improving customer and interbank flows, diversification of revenue streams through continuous enrichment of service suite, investments towards digital transformation and an unrelenting focus on upholding high standards of service delivery supplemented a broad-based growth of 31% in income from fee commission; with trade and guarantee related business income growing by 62%, cards related income by 45% and income from home remittance by 28%.

The Bank continues to manage an efficient operating expense base and manage costs prudently. Amidst a persistently high inflationary environment, impact of sharp currency devaluation, rapidly escalating commodity prices and continued



investments in human resources and technological upgradation, the operating expenses of the Bank were reported at Rs. 24 billion (+23%). The cost to income ratio of the Bank improved significantly to 29.58% from 37.46% reported in corresponding period last year.

Navigating a challenging operating and macroeconomic environment, the Bank has been addressing asset quality issues by maintaining discipline in management of its risk return decisions. Diversification of the loan book across customer segments and a robust credit underwriting framework that encompasses structured assessment models, effective pre-disbursement evaluation tools and an array of post disbursement monitoring systems has enabled MCB to effectively manage its credit risk; the Non-performing loan (NPLs) base of the Bank was reported at Rs. 55.2 billion as at June 30, 2023. The coverage and infection ratios of the Bank were reported at 82.99% and 8.58%, respectively.

On the financial position side, the total asset base of the Bank grew by 9% and was reported at Rs. 2.28 trillion. Analysis of the assets mix highlights that net investments increased by Rs. 169.6 billion (+17%) whereas gross advances reported a decrease of Rs. 154.5 billion (-19%) over December 31, 2022.

The Bank continued its focus on building no cost deposits, leading to a robust growth of Rs. 196 billion (YoY: +32%) in average current deposits. The average current to total deposits ratio improved to 52.3% during the period under review from 41.1% in corresponding period last year. Despite the exceptional increase in interest rates during the period, the domestic cost of deposits was contained at 7.93% as compared to 5.48% in the corresponding period last year.

Return on Assets and Return on Equity significantly improved to 2.45% and 29.59% respectively, whereas the book value per share was reported at Rs. 160.24.

During the period under review, MCB attracted home remittance inflows of USD 1,610 million to further consolidate its position as an active participant in SBP's cause for improving flow of remittances into the country through banking channels; with market share improving to 12.5% compared to 11.3% in the corresponding period last year.

While complying with the regulatory capital requirements, the Bank's total Capital Adequacy Ratio (CAR) is 19.46% against the requirement of 11.5% (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 17.07% against the requirement of 6%. Bank's capitalization also resulted in a Leverage Ratio of 5.89% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 245.97% and Net Stable Funding Ratio (NSFR) of 145.29% against requirement of 100%.

The Board of Directors has declared 2nd interim cash dividend of Rs. 7.0 per share i.e. 70%, in addition to 60% already paid, bringing the total cash dividend for the half year ended June 30, 2023 to 130%.

### Ratings

Pakistan Credit Rating Agency re-affirmed credit ratings of MCB at "AAA / A1+" for long term and short term respectively, through its notification dated June 23, 2023.

### Economy Review

Pakistan witnessed significant economic and political uncertainty in the first half of 2023. Historically high inflation, large budget deficit, depleted foreign exchange reserves, negative GDP growth rate and uncertainty on the IMF program all contributed to the country's economic headwinds. The signing of 9-month Stand-By Arrangement (SBA) of USD 3 Billion with IMF in July-23 is expected to improve the economic landscape considerably.



Inflation remained high through the year and peaked at a multi-year high of 38% in May-23. For this reason, the SBP has raised the benchmark interest rate by 600bps to 22% this year. The high interest rates subdued domestic demand which resulted in slowing down of inflation from historically high levels. However, the high rates had little impact on Government domestic borrowing which remained significantly elevated.

The Current Account for 1HCY23 was a surplus of USD 1.2 billion compared to a deficit of USD 8.4 billion in 1HCY22. The improvement in the CA deficit was primarily a result of reduced imports. By the end of June, 2023, SBP's foreign reserves amounted to only USD 4.5 billion with total liquid reserves at USD 9.1 billion. The Balance of Payment crisis exerted pressure on the currency as PKR depreciated by 26% against USD in 1HCY23, closing at Rs. 285.99 on June 30, 2023.

The Government introduced a wide range of tax measures in the FY24 budget and aims to collect PKR 9.4 trillion in taxes, targeting an increase of 30% from the last year. The total expenditure stands at PKR 14.48 trillion with debt servicing consuming 50% of the expenditure. The Government intends to restrict the fiscal deficit to 6.53% of the GDP.

The deterioration of the country's economic indicators, and the uncertainty of the IMF program resulted in significant increase in Pakistan's external borrowing costs; Pakistan's Euro Bond yields also reflected this distress. However, after a prolonged delay in the 9th review, the breakthrough in the shape of a Stand-by agreement (SBA) with the IMF restored market confidence.


#### Future Outlook

Adherence to IMF's SBA remains vital for the country's economic prospects. Any slippages in the agreed IMF agreement can quickly result in economic volatility. Pakistan is expected to achieve GDP growth of 2-3% and in order to do so, the country needs to embrace structural changes, curtail the circular debt and maintain a tight monetary stance. The inflationary pressures will continue to be a challenge for the country and will begin to ease in the second half of FY24. Moreover, the continuation of the IMF program and the influx of external funding remain crucial for the economy as the external repayments stand close to USD 25 billion for the year.

#### Appreciation and Acknowledgements

The Board of Directors of MCB Bank Limited would like extend their sincere gratitude towards the Government of Pakistan, the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan and other regulatory bodies for their continued support and guidance, 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,

  
Shoaib Mumtaz  
President & CEO,  
MCB Bank Limited  
August 02, 2023

  
Mian Umer Mahsha  
Director  
MCB Bank Limited

افراط زر پورے سال میں مسلسل بلند رہا اور مئی 2023ء میں 38 فیصد کی کئی سالوں کی بلند ترین شرح پر رپورٹ ہوا۔ اسی بناء پر اسٹیٹ بینک آف پاکستان نے بیج مارک انٹرسٹ ریٹ میں 600 بی پی ایس کا اضافہ کرتے ہوئے اس سال میں 22 فیصد پر مقرر کر دیا۔ بلند انٹرسٹ ریٹ سے داخلی طلب میں کمی واقع ہوئی اور افراط زر اپنی تاریخ کی بلند سطح سے کمی کے اشارے ظاہر کرنے لگا۔ تاہم، ان بلنڈریش کی وجہ سے حکومت کے حاصل کردہ اور مسلسل بڑھتے داخلی قرضہ جات پر بھی چند اثرات مرتب ہوئے۔

سال 2023ء کی پہلی ششماہی کے دوران کرنٹ اکاؤنٹ گزشتہ سال 2022ء کی پہلی ششماہی کے دوران کے 8.4 بلین امریکی ڈالرز کے خسارے کی نسبت 1.2 بلین امریکی ڈالرز کے سرپلس پر درج ہوا۔ کرنٹ اکاؤنٹ میں اس بہتری کی بنیادی وجہ درآمدات کی کمی رہی۔ جون 2023ء کے اختتام تک اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر محض 4.5 بلین امریکی ڈالرز پر پہنچ گئے۔ جبکہ، کل دستیاب ذخائر کا حجم 9.1 بلین امریکی ڈالرز رہا۔ ملک کی ادائیگیوں کے توازن پر مختلف انواع کے دباؤ کے اثرات کرنسی پر بھی رونما ہوئے اور امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 26 فیصد کی فرسودگی دیکھی گئی جو کہ جون 2023ء تک 285.99 روپے فی ڈالر پر بند ہوا۔

حکومت نے مالی سال 2024ء کے بجٹ میں وسیع دائرہ کار کی ٹیکس اصلاحات کا اجراء کیا ہے اور 9.4 ٹریلین روپے کے ٹیکسز کی وصولیوں کا اعادہ کیا ہے۔ اور یوں گزشتہ سال سے 30 فیصد کے اضافے کا ہدف مقرر کیا ہے۔ کل اخراجات کا تعین 14.48 ٹریلین روپے رہا جس میں قرضہ جات کی ادائیگی کل اخراجات کا 50 فیصد تک رہی۔ حکومت کا عزم ہے کہ مالیاتی خسارے کو جی ڈی پی کی 6.53 فیصد کی شرح پر محدود رکھا جائے۔

ملک کے معاشی اشاریوں میں تیزی اور آئی ایم ایف کے پروگرام کی غیر یقینی صورتحال کے باعث پاکستان کے بیرونی قرضہ جات کی لاگت میں بے پناہ اضافہ ہوا۔ پاکستان کے یورو بانڈز کی آمدنی میں بھی اس دباؤ کے اثرات نمایاں رہے۔ تاہم نوین جائزے میں ایک طویل تاخیر کے بعد آئی ایم ایف کے ساتھ ایک اسٹینڈ بائی معاہدے کی شکل میں ہونے والی پیش رفت سے مارکیٹ کے اعتماد میں بحالی واقع ہوئی۔

#### مستقبل کی پیش بینی

آئی ایم ایف کے ساتھ کیے گئے اسٹینڈ بائی معاہدے کی پاسداری ملک کے معاشی مستقبل کے لیے نہایت اہم ہے۔ آئی ایم ایف کے ساتھ اس طے شدہ اور متفقہ معاہدے سے معمولی سا بھی انحراف معیشت کے لیے فوری طور پر مضمرات کا باعث ہو سکتا ہے۔ پاکستان سے توقع ہے کہ وہ جی ڈی پی کی 2 سے 3 فیصد کی نمو حاصل کر سکے گا اور اس امر کو یقینی بنانے کے لیے ملک کو بنیادی تبدیلیوں کو اپنانے، گردش قرضوں پر قابو اور ایک کڑے مالیاتی پیمانے کو اختیار کرنا ایک ناگزیر عمل ہے۔ افراط زر کے دباؤ، ملک کے لیے ایک مسلسل چیلنج کے طور پر برقرار ہے تاہم، مالی سال 2024ء کی دوسری ششماہی میں اس میں قدرے کمی واقع ہو سکے گی۔ علاوہ ازیں، آئی ایم ایف کے پروگرام کے جاری رہنے اور دیگر بیرونی ذرائع سے سرمائے کا حصول، سال کے دوران 25 بلین امریکی ڈالرز کی بیرونی ادائیگیوں کے تناظر میں معیشت کے لیے نہایت اہم ہے۔

#### تسکین و تشکر

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

منجانب و برائے بورڈ آف ڈائریکٹرز

میاں عمر منشاء  
ڈائریکٹر  
ایم سی بی بینک لمیٹڈ

شعیب ممتاز  
پریذیڈنٹ اور سی ای او  
ایم سی بی بینک لمیٹڈ  
2 اگست 2023ء

ایک چیلنجنگ کاروباری اور میکروانک دور سے گزرتے ہوئے بینک، اپنی آمدنی کے خدشات سے متعلقہ فیصلوں کے انتظام میں نظم و ضبط کو برقرار رکھتے ہوئے اثاثہ جات کے معیار کے معاملات کو حل کرنے کی راہ پر گامزن ہے۔ اپنے قرضہ جات کی صارفین کے تمام شعبوں کے لیے فراہمی، قرضہ جات کے اجراء سے پہلے جانچ کے موزوں اصولوں اور انکی تقسیم کے بعد نگرانی کے مسلسل اور موثر نظام کے باعث ایم سی بی نے اپنے کریڈٹ رسکو کا نہایت کامیابی سے تدارک کیا۔ بینک کے غیر فعال قرضہ جات کا حجم 30 جون 2023ء تک 55.2 بلین روپے پر رپورٹ ہوا۔ بینک کی کوریج اور انفلیکشن کی شرحیں بالترتیب 82.99 فیصد اور 8.58 فیصد پر درج کی گئیں۔

مالیاتی صورتحال کی مد میں، بینک کے کل اثاثہ جات 9 فیصد تک بڑھ کر 2.28 ٹریلین روپے پر رپورٹ کیے گئے۔ اثاثہ جات کی ترکیب کا جائزہ اس امر کو نمایاں کرتا ہے کہ 2022 کے مقابلہ میں خالص سرمایہ کاری میں 169.6 بلین روپے (+17 فیصد) کا اضافہ اور کل قرضہ جات میں 154.5 بلین روپے (-19 فیصد) کی کمی واقع ہوئی۔

بینک نے بغیر لاگت کے ڈیپازٹس کے حصول پر مسلسل توجہ کے باعث اوسط کرنٹ ڈیپازٹس میں 196 بلین روپے (سال بہ سال کی بنیاد پر 32+ فیصد) کی نمو حاصل کی۔ اوسط کرنٹ ڈیپازٹس کی کل ڈیپازٹس سے شرح سال 2022ء کی مابقی مدت کی 41.1 فیصد کی شرح کی نسبت سال 2023ء کی پہلی ششماہی میں بہتری کے ساتھ 52.3 فیصد پر رپورٹ کی گئی۔ اس مدت کے دوران، انٹرسٹ ریش میں غیر معمولی اضافے کے باوجود، ڈیپازٹس کی لاکھ گزشتہ سال کی اسی تقابلی مدت کی 5.48 فیصد کی شرح کے مقابلے میں 7.93 فیصد پر محدود رکھا گیا۔

اثاثہ جات کی آمدنی اور سرمائے (ایکویٹی) کی آمدنی کی شرحیں بہتری کے ساتھ بالترتیب 2.45 فیصد اور 29.59 فیصد کی سطح پر درج کی گئیں۔ جبکہ، بک ویلیو فی حصص 160.24 پر رپورٹ ہوئی۔

اس زیر تجزیہ عرصہ کے دوران، ایم سی بی نے 1,610 ملین امریکی ڈالرز کی ترسیلات زر کو راغب کیا تاکہ ملک میں بینکنگ چینلوں کے ذریعے ترسیلات زر کے بہاؤ میں بہتری کے اسٹیٹ بینک آف پاکستان کے مقصد میں ایک فعال شراکت دار کے اپنے کردار کو مزید مضبوط بنایا جاسکے۔ ترسیلات زر کی مد میں بینک کا مارکیٹ میں حصہ گزشتہ سال کے تقابلی عرصہ کی 11.3 فیصد کی شرح سے بہتری کے ساتھ 12.5 فیصد کی شرح پر درج کیا گیا۔

سرمائے کے ضوابط کی تقبیل کرتے ہوئے بینک کے کل سرمائے کی معقولیت (کپٹل ایڈیکوئیٹی) 11.5 فیصد کی مطلوبہ شرح کی نسبت 19.46 فیصد پر رہی (جس میں 2020ء کے بی پی آر ڈی (BPRD) سرکلر ایئر 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 اکیویٹی ٹائر 1 - Common Equity Tier - (CET1) سے کل رسک ویٹڈ ایسٹس (Risk Weighted Assets) کی شرح سے ہوتا جو کہ 6.0 فیصد کی مطلوبہ حد کے مقابلہ 17.07 فیصد کی شرح پر درج کی گئی۔ بینک کی کپچلائزیشن کے نتیجے میں لیوریج (Leverage) کی شرح بھی 3.0 فیصد کی ضوابط کی حد سے نمایاں اضافہ کے ساتھ 5.89 فیصد پر جانچنی۔ بینک نے لیکویڈٹی کوریج ریشو (LCR - Liquidity Coverage Ratio) کو 245.97 فیصد اور نیٹ سٹیل فنڈنگ ریشو (NSFR - Net Stable Funding Ratio) کو 100 فیصد کی مطلوبہ شرح کی نسبت 145.29 فیصد پر رپورٹ کیا۔

بورڈ آف ڈائریکٹرز نے 7 روپے فی حصص یعنی 70 فیصد، جو کہ پہلے سے ادا شدہ 60 فیصد کے علاوہ ہے، کے دوسرے عبوری کیش ڈیویڈنڈ کا اعلان کیا ہے جس کی بعد 30 جون 2023ء کو اختتام پذیر ششماہی تک کل کیش ڈیویڈنڈ کی شرح 130 فیصد پر پہنچ گئی ہے۔

## ریٹنگز:

پاکرا (PACRA) کے نوٹیفیکیشن بتاریخ 23 جون 2023 کی بنیاد پر بینک، طویل اور قلیل مدت کی بالترتیب AAA اور + A1 کی بلند ترین کریڈٹ ریٹنگز سے مستفید ہو رہا ہے۔

## معاشی جائزہ:

سال 2023 کی پہلی ششماہی کے دوران پاکستان میں نمایاں معاشی اور سیاسی غیر یقینی دیکھی گئی۔ تاریخ کے بلند ترین افراط زر، بجٹ کے بڑے خسارے، کم ہوتے زرمبادلہ کے ذخائر، جی ڈی پی کی نمو کی منفی شرح اور آئی ایم ایف کے پروگرام کی بحالی سے متعلق غیر یقینی جیسے سب عوامل نے مل کر ملک کی معاشی ابتری میں اپنا کردار ادا کیا۔ جولائی 2023ء میں آئی ایم ایف کے ساتھ 3 بلین امریکی ڈالرز کے 9 ماہ کے اسٹینڈ بائی معاہدے پر دستخطوں سے معاشی صورتحال میں خاطر خواہ بہتری آنے کی اُمید ہے۔

## ڈائریکٹرز کا تجزیہ - جون 2023ء

بورڈ آف ڈائریکٹرز کی جانب سے ہم، ایم سی بی بینک لمیٹڈ (ایم سی بی) کے 30 جون 2023ء کو اختتام پذیر پہلی ششماہی کے مالیاتی گوشواروں کو آپ کے سامنے پیش کرتے ہوئے نہایت مسرت محسوس کرتے ہیں۔

## کارکردگی کا جائزہ

30 جون 2023ء کو اختتام پذیر مدت تک کے بینک کے انفرادی منافع قبل و بعد از ٹیکس اور تخصیص، مندرجہ ذیل ہے:

ملین روپے
53,842
27,155
26,687
70,425
1,097
19
292
76
71,909
98,596
(2,669)
(7,110)
(7,110)
(16,889)
81,707

## منافع قبل از ٹیکس

## ٹیکس

## منافع بعد از ٹیکس

## افتتاحی غیر تخصیص شدہ منافع

از سر نو تخمینہ شدہ معین اثاثوں کے سرپلس پر فروخت سے حاصل آمدن - خالص از ٹیکس

غیر بینکنگ اثاثہ جات کی فروخت پر سرپلس (خالص از ٹیکس)

ڈیپازٹ بینفٹ واجبات کے نفع کی دوبارہ پیکس (خالص از ٹیکس)

از سر نو تخمینہ شدہ معین اثاثوں کے سرپلس سے اضافی فرسودگی

کی غیر تخصیص شدہ منافع میں منتقلی (خالص از ٹیکس)

## تخصیص کیلئے دستیاب منافع

## تخصیص:

## قانونی ریزرو

حتمی کیش ڈیویڈنڈ 6 روپے فی شیئر - برائے دسمبر 2022ء

پہلا کیش ڈیویڈنڈ 6 روپے فی شیئر - برائے مارچ 2023ء

## کل تخصیص

## افتتاحی غیر تخصیص شدہ منافع

بینک کی انتظامیہ کی بغیر لاگت کے ڈیپازٹس کے حصول پر مرکوز غیر متزلزل توجہ اور کوششوں کے باعث ایم سی بی اپنی خالص آمدنی میں قابل قدر نمو حاصل کر سکا۔ جس کے نتیجے میں 30 جون 2023ء کو اختتام پذیر ششماہی کے لیے منافع قبل از ٹیکس، سال بہ سال کی بنیاد پر، 65 فیصد کی نہایت قابل رشک بڑھوتی کے ساتھ 53.84 بلین روپے پر درج ہوا۔ منافع بعد از ٹیکس 140 فیصد کے شاندار اضافے کے اندراج کے ساتھ 26.69 بلین روپے تک پہنچ گیا جس کی بدولت فی حصص آمدنی (ای پی ایس) گزشتہ سال کی 9.39 روپے فی حصص کی تقابلی سطح کے مقابلے میں 22.52 روپے فی حصص پر جانچنی۔

کرنٹ اکاؤنٹ میں ہونے والی نمایاں مقداری نمو اور اثاثہ جات کی معیاد سے متعلقہ بروقت فیصلوں کی بناء پر، اس زیر تجزیہ عرصہ کے دوران، خالص انٹرسٹ آمدنی میں گزشتہ سال کی تقابلی مدت کی نسبت 72 فیصد کا اضافہ ہوا۔

فیس و کمیشن کی آمدنی (8.8 بلین روپے)، غیر ملکی کرنسیوں میں ڈیلنگ کی آمدنی (3.6 بلین روپے) اور ڈیویڈنڈ آمدنی (1.5 بلین روپے) کی نمایاں شمولیت کے باعث نان مارک اپ آمدنی میں گزشتہ سال کے مابقی عرصہ کے 12.9 بلین روپے کے مقابلے میں 14.1 بلین روپے (+9%) تک بڑھ گئی۔

صارفین اور بینکوں کے مابین کاروباری لین دین کے بہاؤ میں اضافے، اپنی خدمات کے معیار میں مسلسل بہتری کی بناء پر آمدنی کی نوعیت میں تنوع، ڈیجیٹل منتقلی میں سرمایہ کاری اور اپنی خدمات کی فراہمی کے بلند معیار پر مرکوز خصوصی توجہ کے ذریعے فیس و کمیشن کی آمدنی میں 31 فیصد، ٹریڈ اور گرانٹی سے متعلقہ کاروباری آمدنی میں 62 فیصد، کارڈ سے متعلقہ آمدنی میں 45 فیصد اور گھریلو ترسیلات زر میں 28 فیصد کی وسیع الہیاد موصول ہوئی۔

بینک نے اپنے کاروباری اخراجات کا موزوں انتظام جاری رکھا اور لاگت کے انصرام میں بھی دانشمندی کا مظاہرہ کیا۔ مسلسل بڑھتے بلند افراط زر کے ماحول، کرنسی کی تیز فرسودگی کے اثرات، اشیاء خورد و خورد کی مسلسل بلند ہوتی قیمتیں اور انفرادی وسائل و ٹیکنالوجیکل اپ گریڈیشن میں جاری سرمایہ کاری کے ماحول کے درمیان بینک کے کاروباری اخراجات 24 بلین روپے پر درج ہوئے (+23%)۔ بینک کی لاگت اور آمدنی کی شرح گزشتہ تقابلی عرصہ کی 37.46 فیصد کی شرح کے تناسب میں نمایاں بہتری کا مظاہرہ کرتے ہوئے 29.58 فیصد پر رپورٹ ہوئی۔

Independent Auditor's Review Report

To The Members of MCB Bank Limited  
Report on Review of Unconsolidated Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of MCB Bank Limited ("the Bank") as at June 30, 2023 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim cash flow statement, and notes to the unconsolidated condensed interim 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. The figures for the quarters ended June 30, 2023 and June 30, 2022 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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.

The engagement partner on the review resulting in this independent auditor's review report is **Hammad Ali Ahmad**.

*Affirm & Co.*

A. F. Ferguson & Co.  
Chartered Accountants  
Lahore

Dated: August 23, 2023  
UDIN: RR202310092S5q8blmNa



Unconsolidated Condensed Interim Statement of Financial Position  
As At June 30, 2023



	Note	Unaudited June 30, 2023	Audited December 31, 2022
----- Rupees in '000-----			
<b>ASSETS</b>			
Cash and balances with treasury banks	7	184,502,605	96,368,918
Balances with other banks	8	45,024,462	24,872,110
Lendings to financial institutions	9	69,284,424	50,415,768
Investments	10	1,148,307,817	978,731,140
Advances	11	597,288,798	753,399,576
Fixed assets	12	79,765,424	79,918,324
Intangible assets	13	811,528	801,117
Deferred tax assets	14	14,337,821	7,547,068
Other assets	15	140,311,464	93,301,143
		2,279,634,343	2,085,355,164
<b>LIABILITIES</b>			
Bills payable	17	16,020,276	39,136,884
Borrowings	18	246,996,357	340,237,265
Deposits and other accounts	19	1,670,140,751	1,378,717,068
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	14	-	-
Other liabilities	20	143,554,291	137,769,297
		2,076,711,675	1,895,860,514
<b>NET ASSETS</b>			
		202,922,668	189,494,650
<b>REPRESENTED BY</b>			
Share capital		11,850,600	11,850,600
Reserves	21	96,331,017	88,578,024
Surplus on revaluation of assets - net of tax	22	13,033,657	18,640,651
Unappropriated profit		81,707,394	70,425,375
		202,922,668	189,494,650
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		

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

*Shoaib Mumtaz*

Shoaib Mumtaz  
President / CEO

*Hammad Khalid*

Hammad Khalid  
Chief Financial Officer

*Mian Umer Mansha*

Mian Umer Mansha  
Director

*Shahzad Hussain*

Shahzad Hussain  
Director

*Muhammad Ali Zeb*

Muhammad Ali Zeb  
Director

**Unconsolidated Condensed Interim Profit & Loss Account (Un-audited)**  
For The Half Year Ended June 30, 2023



		Quarter Ended		Half Year Ended	
	Note	April 01 to June 30, 2023	April 01 to June 30, 2022	January 01 to June 30, 2023	January 01 to June 30, 2022
-----Rupees in '000-----					
Mark-up / return / interest earned	25	81,424,620	45,699,191	145,279,465	85,415,965
Mark-up / return / interest expensed	26	44,485,484	24,823,053	78,270,596	46,427,801
Net mark-up / interest income		36,939,136	20,876,138	67,008,869	38,988,164
NON MARK-UP / INTEREST INCOME					
Fee and commission income	27	4,619,111	3,451,523	8,791,497	6,725,767
Dividend income		828,936	498,580	1,477,590	1,254,011
Foreign exchange income		2,610,483	2,903,035	3,593,170	4,114,310
Income / (loss) from derivatives		820	9,531	12,876	11,970
Gain / (loss) on securities	28	20,976	252,522	72,861	667,251
Other income	29	62,667	61,424	116,697	124,992
Total non-markup / interest income		8,142,993	7,176,615	14,064,691	12,898,301
Total Income		45,082,129	28,052,753	81,073,560	51,886,465
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	30	12,185,871	9,989,560	23,978,693	19,438,873
Workers Welfare Fund		616,513	352,149	1,076,831	650,718
Other charges	31	166,581	42,166	264,743	63,088
Total non-markup / interest expenses		12,968,965	10,383,875	25,320,267	20,152,679
Profit before provisions		32,113,164	17,668,878	55,753,293	31,733,786
Provisions / (reversals) and write offs - net	32	1,287,505	61,439	1,911,759	(802,098)
PROFIT BEFORE TAXATION		30,825,659	17,607,439	53,841,534	32,535,884
Taxation	33	17,194,340	15,397,161	27,154,502	21,411,220
PROFIT AFTER TAXATION		13,631,319	2,210,278	26,687,032	11,124,664
Basic and diluted earnings per share	34	11.50	1.87	22.52	9.39

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

Shoaib Mumtaz  
President / CEO

Hammad Khalid  
Chief Financial Officer

Mian Umer Mansha  
Director

Shahzad Hussain  
Director

Muhammad Ali Zeb  
Director

**Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)**  
For The Half Year Ended June 30, 2023



	Quarter Ended		Half Year Ended	
	April 01 to June 30, 2023	April 01 to June 30, 2022	January 01 to June 30, 2023	January 01 to June 30, 2022
-----Rupees in '000-----				
<b>Profit after taxation for the period</b>	13,631,319	2,210,278	26,687,032	11,124,664
<b>Other comprehensive income / (loss)</b>				
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>				
Effect of translation of net investment in foreign branches	263,720	564,155	5,084,290	(641,879)
Movement in (deficit) / surplus on revaluation of investments - net of tax	4,198,116	(5,310,729)	(3,903,053)	(8,542,540)
	4,461,836	(4,746,574)	1,181,237	(9,184,419)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>				
Remeasurement gain on defined benefit obligations - net of tax	292,162	164,273	292,162	164,273
Movement in surplus on revaluation of fixed assets - net of tax	(459,275)	(140,130)	(459,275)	(140,130)
Movement in surplus on revaluation of non-banking assets - net of tax	(52,418)	(28,135)	(52,418)	(28,135)
	(219,531)	(3,992)	(219,531)	(3,992)
<b>Total comprehensive income / (loss)</b>	17,873,624	(2,540,288)	27,648,738	1,936,253

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

Shoaib Mumtaz  
President / CEO

Hammad Khalid  
Chief Financial Officer

Mian Umer Mansha  
Director

Shahzad Hussain  
Director

Muhammad Ali Zeb  
Director



Unconsolidated Condensed Interim Statement of Changes In Equity (Un-audited)  
For The Half Year Ended June 30, 2023



Share capital	Share premium	Capital reserve		Statutory reserve	Revenue reserve		Surplus/(deficit) on revaluation of investments		Unappropriated profit	Total
		Non-distributable capital reserve	Exchange translation reserve		General reserve	Fixed / non-banking assets				
11,850,600	23,751,114	908,317	3,701,067	37,641,526	18,600,000	19,010,242	(4,738,725)	19,010,242	63,883,267	174,407,408
-	-	-	-	-	-	-	-	-	11,124,664	11,124,664
-	-	-	(641,879)	-	-	(188,265)	(8,542,540)	(188,265)	164,273	(8,188,411)
-	-	-	(641,879)	-	-	(188,265)	(8,542,540)	(188,265)	11,988,937	1,936,253
-	-	-	-	1,112,466	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(1,112,466)	-
-	-	-	-	-	-	-	-	-	38,016	-
-	-	-	-	-	-	-	-	-	(8,312)	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
11,850,600	23,751,114	908,317	3,059,188	38,753,992	18,600,000	18,765,649	(13,281,265)	18,765,649	62,055,466	164,488,061
Rupees in '000										
-	-	-	-	-	-	-	-	-	21,616,271	21,616,271
-	-	-	1,343,785	-	-	18,974,177	(5,801,111)	18,974,177	(465,993)	14,050,858
-	-	-	1,343,785	-	-	18,974,177	(5,801,111)	18,974,177	21,150,278	35,667,129
-	-	-	-	2,161,628	-	-	-	-	(2,161,628)	-
-	-	-	-	-	-	-	-	-	38,015	-
-	-	-	-	-	-	-	-	-	(3,140)	-
-	-	-	-	-	-	-	-	-	(5,644)	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
11,850,600	23,751,114	908,317	4,402,973	40,916,620	18,600,000	37,723,027	(19,082,376)	37,723,027	70,425,375	188,494,660
-	-	-	5,084,290	-	-	-	(3,903,053)	(511,693)	26,687,032	26,687,032
-	-	-	5,084,290	-	-	-	(3,903,053)	(511,693)	292,162	997,706
-	-	-	-	2,668,703	-	-	-	-	26,979,194	27,648,138
-	-	-	-	-	-	-	-	-	(2,688,703)	-
-	-	-	-	-	-	-	-	-	75,597	-
-	-	-	-	-	-	-	-	-	(1,097,114)	-
-	-	-	-	-	-	-	-	-	19,537	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(7,110,360)	(7,110,360)
-	-	-	-	-	-	-	-	-	(7,110,360)	(7,110,360)
-	-	-	-	-	-	-	-	-	(14,220,720)	(14,220,720)
11,850,600	23,751,114	908,317	9,487,263	43,584,323	18,600,000	36,019,086	(22,985,429)	36,019,086	81,707,394	202,922,688

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.

Shoaib Mumtaz  
President / CEO

Hammad Khalid  
Chief Financial Officer

Mian Umer Mansha  
Director

Shahzad Hussain  
Director

Muhammad Ali Zeb  
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)  
For The Half Year Ended June 30, 2023



CASH FLOW FROM OPERATING ACTIVITIES

Half Year Ended			-----Rupees in '000-----	
Note	January 01 to June 30, 2023	January 01 to June 30, 2022		
	53,841,534	32,535,884		
	(1,477,590)	(1,254,011)		
	52,363,944	31,281,873		
Adjustments:				
Depreciation on fixed assets	30	1,349,260	1,138,678	
Depreciation on right-of-use assets	30	687,348	653,480	
Depreciation on non-banking assets acquired in satisfaction of claims	30	11,939	11,973	
Amortization	30	170,839	211,893	
Provisions / (reversals) and write offs - net	32	1,911,759	(802,098)	
Gain on sale of fixed assets - net	29	(9,369)	(31,318)	
Gain on sale of non-banking assets acquired in satisfaction of claims	29	(776)	-	
Finance charges on lease liability against right-of-use assets	26	557,149	544,682	
Workers Welfare Fund		1,076,831	650,718	
Charge for defined benefit plans - net		148,131	90,813	
Gain on termination of lease liability against right of use assets	29	(31,401)	(42,593)	
Unrealized loss on revaluation of investments classified as held for trading	28	11,936	237	
	5,883,646	2,426,465		
	58,247,590	33,708,338		
Decrease / (increase) in operating assets				
Lendings to financial institutions		(18,868,656)	(48,095,577)	
Held-for-trading securities		(116,802)	(7,021,910)	
Advances		156,076,073	(14,698,890)	
Others assets (excluding advance taxation)		(33,824,652)	(15,637,963)	
	103,265,963	(85,454,340)		
Increase / (decrease) in operating liabilities				
Bills Payable		(23,116,608)	(10,692,624)	
Borrowings from financial institutions		(93,145,337)	(110,167,454)	
Deposits		291,423,683	178,744,380	
Other liabilities (excluding current taxation)		(11,592,751)	5,414,334	
	163,568,987	63,298,636		
	(132,813)	(128,794)		
	(23,901,902)	(12,491,969)		
	301,047,825	(1,068,129)		
Defined benefits paid				
Income tax paid				
Net cash flow generated from / (used in) operating activities				

CASH FLOW FROM INVESTING ACTIVITIES

Net (investment) / divestment in available-for-sale securities	(181,287,384)	27,835,299
Net investment in held-to-maturity securities	(950,787)	(1,101,521)
Dividends received	1,472,659	1,234,023
Investments in fixed assets	(2,831,366)	(2,152,978)
Investments in intangible assets	(173,526)	(64,244)
Proceeds from sale of fixed assets	1,740,367	48,410
Proceeds from sale of non-banking assets acquired in satisfaction of claims	87,000	87,800
Investment in subsidiary	(649,925)	(4,000,000)
Effect of translation of net investment in foreign branches	5,084,290	(641,879)
Net cash flow (used in) / generated from investing activities	(177,508,672)	21,244,910

CASH FLOW FROM FINANCING ACTIVITIES

Payment of lease liability against right-of-use-assets	(1,066,106)	(827,178)
Dividend paid	(14,091,437)	(11,755,725)
Net cash flow used in financing activities	(15,157,543)	(12,582,903)
Effects of exchange rate changes on cash and cash equivalents	11,422,007	4,653,192
	119,803,617	12,247,070
Cash and cash equivalents at beginning of the period	109,005,334	177,130,179
Cash and cash equivalents at end of the period	228,808,951	189,377,249

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

Shoaib Mumtaz  
President / CEO

Hammad Khalid  
Chief Financial Officer

Mian Umer Mansha  
Director

Shahzad Hussain  
Director

Muhammad Ali Zeb  
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 1,431 branches (2022: 1,439 branches) within Pakistan and 08 branches (2022: 09 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 of its primary economic environment. 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 and lease liabilities which have been carried at present value and right of use assets which are initially measured at an amount equal to the corresponding lease liability and depreciated over the respective lease terms.

3. STATEMENT OF COMPLIANCE

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

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

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

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002 and International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) through BSD Circular Letter No. 10, dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated 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 July 10, 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, 2022.

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, 2023. 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 standard 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)

Amendment to IFRS 16 - Leases on sale and leaseback January 1, 2024  
Classification of Liabilities as Current or Non-current – Amendments to IAS 1 January 1, 2024

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.

As per SBP's BPRD Circular No. 7 dated April 13, 2023, the effective date of IFRS 9 for banks in Pakistan has been extended from January 01, 2023 to January 01, 2024, and accordingly the Standard will be applied in the Bank's financial statements for accounting periods beginning on or after January 01, 2024. As disclosed in note 3.3 to the unconsolidated annual financial statements of the Bank for the year ended December 31, 2022, the Bank had carried out an impact assessment based on the portfolio of financial instruments held at that date. Given the modified effective date of the Standard, the Bank will reassess the impact of the Standard in due course as required under the relevant regulatory requirements.

These unconsolidated condensed interim financial statements have been prepared in accordance with the existing prudential regime to the extent of the Bank's domestic operations, whereas the requirements of this standard are incorporated for overseas jurisdictions where IFRS 9 has been adopted.

There are other amendments and interpretations to existing standards that are mandatory for the Bank's accounting periods beginning on or after January 1, 2023 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

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, 2022.

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, 2022.

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, 2022. 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.



7. CASH AND BALANCES WITH TREASURY BANKS

	Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees in '000-----		
In hand		
Local currency	40,362,409	29,535,358
Foreign currencies	7,329,654	7,366,137
	47,692,063	36,901,495
With State Bank of Pakistan in		
Local currency current account	84,057,130	51,724,040
Foreign currency current accounts	2,109,531	2,227,841
Foreign currency deposit account	13,059,098	-
	99,225,759	53,951,881
With other central banks in		
Foreign currency current accounts	9,139,529	5,208,115
With National Bank of Pakistan in		
Local currency current accounts	28,316,422	142,820
Prize bonds	128,832	164,607
	184,502,605	96,368,918

8. BALANCES WITH OTHER BANKS

Outside Pakistan		
In current accounts	16,464,397	17,700,810
In deposit accounts	28,560,065	7,171,300
	45,024,462	24,872,110

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	45,856,260	23,736,012
Repurchase agreement lendings (Reverse Repo)	23,428,164	26,679,756
	69,284,424	50,415,768



10. INVESTMENTS	Note	Unaudited June 30, 2023				Unaudited December 31, 2022			
		Rupees in '000				Rupees in '000			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
10.1 Investments by type:									
Held-for-trading securities									
Shares		116,802	-	(11,936)	104,866	-	-	-	-
Available-for-sale securities									
Federal Government Securities		1,109,613,527	(517,549)	(45,398,373)	1,063,697,605	946,651,272	(134,427)	(32,744,038)	913,772,807
Shares and units		29,158,369	(10,922,491)	173,589	18,409,467	28,270,391	(9,618,325)	(723,632)	17,928,434
Non Government Debt Securities		2,953,840	-	647	2,954,487	2,953,840	-	5,782	2,959,622
Foreign Securities		21,647,508	(1,232)	154,671	21,800,947	4,134,882	(1,232)	(15,965)	4,117,685
		1,163,373,244	(11,441,272)	(45,069,466)	1,106,862,506	982,010,385	(9,753,984)	(33,477,853)	938,778,548
Held-to-maturity securities									
Federal Government Securities		16,207,295	(311,323)	-	15,895,972	15,477,681	(98,464)	-	15,379,217
Provincial Government Securities		118	(118)	-	-	118	(118)	-	-
Non Government Debt Securities		8,253,376	(477,541)	-	7,775,835	8,032,203	(477,541)	-	7,554,662
		24,460,769	(788,982)	-	23,671,807	23,510,002	(576,123)	-	22,933,879
Associates		700,401	-	-	700,401	700,401	-	-	700,401
Subsidiaries	10.4	16,968,237	-	-	16,968,237	16,318,312	-	-	16,318,312
Total Investments		1,205,619,473	(12,230,254)	(45,081,402)	1,148,307,817	1,022,539,100	(10,330,107)	(33,477,853)	978,731,140
10.1.1 Investments given as collateral									
- Market Treasury Bills									
- Pakistan Investment Bonds									
10.2 Provision for diminution in value of investments									
10.2.1 Opening balance									
Exchange and other adjustments									
Charge / (reversals)									
Charge for the period / year									
Reversal on disposals									
Amounts written off									
Closing Balance									
10.2.2 Particulars of provision against debt securities									
Category of classification									
Domestic									
Loss									
10.2.3 In addition to the above, overseas branches hold a general provision of Rs. 828.872 million (December 31, 2022: Rs. 232.891) in accordance with the requirements of IFRS 9.									
10.3 The market value of securities classified as held-to-maturity as at June 30, 2023 amounted to Rs. 19,860,226 million (December 31, 2022: Rs. 19,861,244 million).									
10.4 The Board of Directors of MCB Bank Limited (the Bank), in its meeting held on February 08, 2023 had approved an equity investment of Rs. 649.925 million to acquire further 30.09% shareholding of "MCB Arif-Habib Savings and Investments Limited" (MCBAH), an existing subsidiary of the Bank. On the recommendation of the Board, the Shareholders of the Bank also approved this equity investment in MCBAH in their Annual General Meeting held on March 27, 2023. Acquisition transaction was completed on April 18, 2023, subsequent to the approvals granted by the regulatory bodies.									

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



	Performing		Non Performing		Total	
	Unaudited June 30, 2023	Audited December 31, 2022	Unaudited June 30, 2023	Audited December 31, 2022	Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees in '000-----						
Loans, cash credits, running finances, etc.	570,291,131	735,403,086	54,228,718	50,204,881	624,519,849	785,607,967
Bills discounted and purchased	17,611,896	10,908,660	953,444	1,055,302	18,565,340	11,963,962
Advances - gross	587,903,027	746,311,746	55,182,162	51,260,183	643,085,189	797,571,929
Provision against advances						
- Specific	(2,393,108)	(2,224,575)	(43,403,283)	(41,947,778)	(43,403,283)	(41,947,778)
- General	(2,393,108)	(2,224,575)	(43,403,283)	(41,947,778)	(45,796,391)	(44,172,353)
Advances - net of provision	585,509,919	744,087,171	11,778,879	9,312,405	597,288,798	753,399,576
-----Rupees in '000-----						
					Unaudited June 30, 2023	Audited December 31, 2022
11.1 Particulars of advances (Gross)						
In local currency					596,266,453	754,344,065
In foreign currencies					46,818,736	43,227,864
					643,085,189	797,571,929
-----Rupees in '000-----						
11.2 Advances include Rs. 55,182,162 million (2022: Rs.51,260,183 million) which have been placed under the non-performing status as detailed below:						
Category of Classification	Note	Unaudited June 30, 2023	Provision	Audited December 31, 2022	Non Performing Loans	Provision
-----Rupees in '000-----						
Domestic						
Other Assets Especially Mentioned					1,465,073	1,535
Substandard		295	235,734		112,715	27,286
Doubtful		1,421,345	135,693		133,474	66,737
Loss	11.2.1	947,813	37,165,705		37,693,228	37,253,871
Overseas					39,404,490	37,349,429
Not past due but impaired		40,160,442	37,537,427		-	-
Overdue by:						
Upto 90 days		12,308	4,500		434,904	218,623
91 to 180 days		282	263		16,035	4,573
181 to 365 days		3,063	1,803		134	67
> 365 days		15,006,067	5,859,290		11,404,620	4,375,086
Total		15,021,720	5,865,856		11,855,693	4,598,349
		55,182,162	43,403,283		51,260,183	41,947,778

11.2.1 This includes non-performing portfolio of agricultural financing, small enterprise financing and infrastructure project financing classified as "Other Assets Especially Mentioned" as per the requirements of respective Prudential Regulations issued by the State Bank of Pakistan.

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



11.3 Particulars of provision against advances		Note	Unaudited June 30, 2023			Audited December 31, 2022		
			Specific	General	Total	Specific	General	Total
-----Rupees in '000-----								
Opening balance			41,947,778	2,224,575	44,172,353	44,156,471	1,706,309	45,862,780
Exchange adjustments			1,231,212	273,176	1,504,388	711,262	(663)	710,599
Charge for the period / year			2,228,246	116,073	2,344,319	947,726	579,756	1,527,482
Reversals	11.3.2		(2,003,953)	(220,716)	(2,224,669)	(3,793,453)	(60,827)	(3,854,280)
			224,293	(104,643)	119,650	(2,845,727)	518,929	(2,326,798)
Amounts written off			-	-	-	(74,228)	-	(74,228)
Closing balance			43,403,283	2,393,108	45,796,391	41,947,778	2,224,575	44,172,353
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 Non Performing Loans (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 The Bank maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing 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. In addition, the Bank also maintains a general provision against gross advances on a prudent basis.								
12. FIXED ASSETS		Note	Unaudited June 30, 2023			Audited December 31, 2022		
-----Rupees in '000-----								
Capital work-in-progress		12.1	1,263,041			1,064,714		
Property and equipment			72,836,990			73,138,764		
Right- of- use assets			5,665,393			5,714,846		
			79,765,424			79,918,324		
12.1 Capital work-in-progress								
Civil works			820,452			805,081		
Equipment			113,023			92,330		
Advances to suppliers			307,682			163,858		
Others			21,884			3,445		
			1,263,041			1,064,714		
			Unaudited Half			Unaudited Half		
			Year ended			Year ended		
			June 30, 2023			June 30, 2022		
-----Rupees in '000-----								
12.2 Additions to fixed assets								
The following additions have been made to fixed assets during the period:								
Capital work-in-progress - net additions			198,327			497,974		
Property and equipment								
Freehold land			-			170,872		
Building on freehold land			195,778			36,134		
Building on leasehold land			2,639			711		
Electrical office and computer equipment			1,737,942			1,149,837		
Furniture and fixture			94,724			115,575		
Leasehold Improvements			370,404			112,292		
Vehicles			231,552			69,583		
			2,633,039			1,655,004		
Total			2,831,366			2,152,978		
12.3 Disposal of fixed assets								
The net book value of fixed assets disposed off during the period is as follows:								
Freehold land			1,699,344			-		
Vehicles			10,338			11,691		
Furniture and fixture			1,599			2,228		
Electrical office and computer equipment			4,110			3,143		
Leasehold Improvements			-			30		
Building on freehold land			15,607			-		
Total			1,730,998			17,092		



MCB Bank Limited

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



13. INTANGIBLE ASSETS

Capital work-in-progress  
Computer software

Note	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees in '000-----	
	270,391	221,743
	541,137	579,374
	811,528	801,117
	-----Rupees in '000-----	
	Unaudited Half Year ended June 30, 2023	Unaudited Half Year ended June 30, 2022
	-----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 - net additions  
Computer software  
Total

48,648	-
124,878	284,494
173,526	284,494

14. DEFERRED TAX ASSET / (LIABILITY) - NET

Deductible Temporary Differences on  
- Provision against advances  
- Surplus / deficit on revaluation of investments

Taxable Temporary Differences on

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

Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees in '000-----	
1,711,119	1,362,935
22,084,037	14,395,477
23,795,156	15,758,412
(3,678,072)	(3,291,460)
(409,316)	(375,669)
(3,224,701)	(2,648,697)
(1,440,028)	(1,190,300)
(705,218)	(705,218)
(9,457,335)	(8,211,344)
14,337,821	7,547,068

15. OTHER ASSETS

Income / mark-up accrued in local currency  
Income / mark-up accrued in foreign currencies  
Advances, deposits, advance rent and other prepayments  
Non-banking assets acquired in satisfaction of claims  
Compensation for delayed income tax refunds  
Branch adjustment account  
Mark to market gain on forward foreign exchange contracts  
Unrealized gain on derivative financial instruments  
Acceptances  
Receivable from the pension fund  
Clearing and settlement accounts  
Claims receivable against fraud and forgeries  
Others

20

15.1

22

Less: Provision held against other assets

Other Assets (net of provision)

Surplus on revaluation of non-banking assets  
acquired in satisfaction of claims

Other Assets - total

15.1 Provision held against other assets

Non banking assets acquired in satisfaction of claims  
Claims receivable against fraud and forgeries  
Others

15.1.1 Movement in provision held against other assets

Opening balance  
Charge for the period / year  
Reversals

Amounts written off  
Exchange and other adjustments  
Closing balance

55,895,396	41,004,910
476,219	303,957
5,207,303	3,946,039
1,965,500	2,025,354
133,809	133,809
-	101,362
2,562,186	1,535,665
197,441	778,441
38,152,569	24,847,224
2,938,830	2,768,142
28,128,697	14,102,285
1,259,390	1,225,857
5,957,290	2,720,726
142,874,630	95,493,771
3,398,505	3,066,275
139,476,125	92,427,496
835,339	873,647
140,311,464	93,301,143
94,157	94,157
617,151	587,468
2,687,197	2,384,650
3,398,505	3,066,275
3,066,275	2,709,281
33,666	109,887
-	(1,755)
33,666	108,132
(50)	(1,193)
298,614	250,055
3,398,505	3,066,275

16. CONTINGENT ASSETS

There were no contingent assets of the Bank as at June 30, 2023 (2022: Nil).

MCB Bank Limited

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



17. BILLS PAYABLE

In Pakistan  
Outside Pakistan

Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees in '000-----	
15,994,160	39,079,047
26,116	57,837
16,020,276	39,136,884

18. BORROWINGS

Secured

Borrowings from State Bank of Pakistan

Under Export Refinance Scheme  
Under Long Term Financing Facility  
Under Renewable Energy Performance Platform  
Under Refinance Scheme for Payment of Wages & Salaries  
Under Temporary Economic Refinance Facility  
Under Refinance Facility for combating COVID-19  
Under Financing Facility for Storage of Agricultural Produce  
Under Refinance and Credit Guarantee Scheme for Women Entrepreneurs

48,557,743	45,834,001
21,327,944	23,123,421
2,257,623	2,177,355
-	667,152
39,521,150	39,628,326
-	14,195
274,488	111,862
7,049	4,082
111,945,997	111,560,394

Repurchase agreement borrowings

Total secured

134,169,958	227,700,898
246,115,955	339,261,292

Unsecured

Overdrawn nostro accounts  
Others

Total unsecured

718,116	813,687
162,286	162,286
880,402	975,973
246,996,357	340,237,265

19. DEPOSITS AND OTHER ACCOUNTS

	Unaudited June 30, 2023			Audited December 31, 2022		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
-----Rupees in '000-----						
<b>Customers</b>						
Current deposits	651,840,362	125,045,111	776,885,473	549,697,362	70,653,195	620,350,557
Savings deposits	677,795,106	42,757,416	720,552,522	594,764,760	38,603,905	633,368,665
Term deposits	25,485,497	15,393,676	40,879,173	40,850,001	12,423,072	53,273,073
Others	71,633,949	7,572,142	79,206,091	31,207,083	5,827,480	37,034,563
	1,426,754,914	190,768,345	1,617,523,259	1,216,519,206	127,507,652	1,344,026,858
<b>Financial Institutions</b>						
Current deposits	21,118,963	2,945,797	24,064,760	19,747,897	1,036,116	20,784,013
Savings deposits	12,454,546	84,850	12,539,396	8,973,107	94,720	9,067,827
Term deposits	7,971,352	7,924,898	15,896,250	595,968	2,299,049	2,895,017
Others	-	117,086	117,086	-	1,943,353	1,943,353
	41,544,861	11,072,631	52,617,492	29,316,972	5,373,238	34,690,210
	1,468,299,775	201,840,976	1,670,140,751	1,245,836,178	132,880,890	1,378,717,068



Note	Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees in '000-----		
<b>20. OTHER LIABILITIES</b>		
Mark-up/ return/ interest payable in local currency	6,790,246	32,720,479
Mark-up/ return/ interest payable in foreign currencies	400,950	200,553
Unearned commission and income on bills discounted	1,601,663	1,227,553
Accrued expenses	6,083,030	6,911,941
Current taxation (provisions less payments)	20,224,705	17,650,382
Workers Welfare Fund	12,382,604	11,305,773
Acceptances	38,152,569	24,847,224
Unclaimed / dividends payable	2,860,739	2,731,456
Mark to market loss on forward foreign exchange contracts	1,870,293	1,013,853
Unrealised loss on derivative financial instruments	197,343	778,137
Branch adjustment account	291,151	-
Provision for employees' compensated absences	1,233,713	1,179,992
Provision for post retirement medical benefits	2,348,381	2,219,281
Provision for employees' contributory benevolent scheme	168,611	165,426
Insurance payable against consumer assets	703,477	828,882
Unclaimed balances	515,537	642,169
Duties and taxes payable	8,292,508	1,435,225
Provision against off-balance sheet obligations	66,863	48,403
Security deposits against lease	1,645,452	1,317,668
Lease liability against right of use assets	8,041,130	7,943,593
Clearing and settlement accounts	22,665,909	15,210,786
Others	7,017,417	7,390,521
	<u>143,554,291</u>	<u>137,769,297</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.

Note	Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees in '000-----		
<b>21. RESERVES</b>		
Share premium	23,751,114	23,751,114
Non- distributable capital reserve - gain on bargain purchase option	908,317	908,317
Exchange translation reserve	9,487,263	4,402,973
Statutory reserve	43,584,323	40,915,620
General reserve	18,600,000	18,600,000
	<u>96,331,017</u>	<u>88,578,024</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 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, 2023	Audited December 31, 2022
-----Rupees in '000-----		
<b>22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Surplus / (deficit) on revaluation of		
- Available for sale securities	(45,069,466)	(33,477,853)
- Fixed Assets	39,271,135	40,516,509
- Non-banking assets acquired in satisfaction of claims	835,339	873,647
	<u>(4,962,992)</u>	<u>7,912,303</u>
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	22,084,037	14,395,477
- Fixed Assets	(3,678,072)	(3,291,460)
- Non-banking assets acquired in satisfaction of claims	(409,316)	(375,669)
	<u>17,996,649</u>	<u>10,728,348</u>
	<u>13,033,657</u>	<u>18,640,651</u>
<b>23. CONTINGENCIES AND COMMITMENTS</b>		
-Guarantees	311,818,818	271,137,800
-Commitments	452,294,727	366,568,874
-Other contingent liabilities	28,959,193	27,947,886
	<u>793,072,738</u>	<u>665,654,560</u>
<b>23.1 Guarantees:</b>		
Financial guarantees	121,795,896	224,226,300
Performance guarantees	189,113,960	43,947,906
Other guarantees	908,962	2,963,594
	<u>311,818,818</u>	<u>271,137,800</u>
<b>23.2 Commitments:</b>		
Documentary credits and short-term trade-related transactions		
- letters of credit	287,270,018	200,919,363
Commitments in respect of:		
- forward foreign exchange contracts	160,741,756	131,535,057
- forward government securities transactions	1,098,883	13,797,435
- derivatives	1,378,254	18,241,918
Commitments for acquisition of:		
- operating fixed assets	1,507,702	1,860,344
- intangible assets	298,114	214,757
	<u>452,294,727</u>	<u>366,568,874</u>
<b>23.2.1 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	93,275,860	75,618,221
Sale	67,465,896	55,916,836
	<u>160,741,756</u>	<u>131,535,057</u>
<b>23.2.2 Commitments in respect of forward government securities transactions</b>		
Purchase	250,000	12,328,130
Sale	848,883	1,469,305
	<u>1,098,883</u>	<u>13,797,435</u>
<b>23.2.3 Commitments in respect of derivatives</b>		
FX options		
Purchase	506,755	8,817,006
Sale	506,755	8,817,006
	<u>1,013,510</u>	<u>17,634,012</u>
Cross Currency Swaps		
Purchase	182,372	303,953
Sale	182,372	303,953
	<u>364,744</u>	<u>607,906</u>
	<u>1,378,254</u>	<u>18,241,918</u>



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.

	Note	Unaudited June 30, 2023 -----Rupees in '000-----	Audited December 31, 2022 -----Rupees in '000-----
23.3 Other contingent liabilities			
Claims against the Bank not acknowledged as debts	23.3.1	28,959,193	27,947,886

23.3.1 These mainly represent counter claims by borrowers for damages and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these unconsolidated condensed interim financial statements.

#### 23.4 Taxation

For assessment year 1988-89 through tax year 2022, 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. 1,419.522 million (2022: Rs. 844 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.

#### 23.5 Amortization of goodwill and other intangibles amounting to Rs 28.08 billion of Ex. NIB

Issue of goodwill and other related assets amortization for few years has been assessed in Bank's favour at appellate forums, however, the tax department has filed appeal against these decisions. The management has not recorded any tax benefit because the issue has not attained finality.

#### 24. DERIVATIVE INSTRUMENTS

	Unaudited June 30, 2023			
	Cross Currency Swaps		FX Options	
	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss
	-----Rupees in '000-----			
Total				
Hedging	182,372	191,271	506,755	6,170
Market Making	182,372	(191,173)	506,755	(6,170)
	-----Rupees in '000-----			
	Audited December 31, 2022			
	-----Rupees in '000-----			
Total				
Hedging	303,953	185,139	8,817,006	593,302
Market Making	303,953	(184,835)	8,817,006	(593,302)



	Note	Unaudited Half Year ended June 30, 2023	Unaudited Half Year ended June 30, 2022
		-----Rupees in '000-----	

#### 25. MARK-UP/RETURN/INTEREST EARNED

On:		
Loans and advances	54,619,002	26,667,912
Investments	85,644,145	57,397,231
Lendings to financial institutions	4,056,084	1,196,585
Balances with banks	960,234	154,237
	145,279,465	85,415,965

#### 26. MARK-UP/RETURN/INTEREST EXPENSED

On:		
Deposits	57,296,516	38,521,136
Borrowings	18,645,598	5,920,861
Cost of foreign currency swaps against foreign currency deposits / borrowings	1,771,333	1,441,122
Finance charges on lease liability against right-of-use assets	557,149	544,682
	78,270,596	46,427,801

#### 27. FEE & COMMISSION INCOME

Branch banking customer fees	1,664,952	1,542,251
Consumer finance related fees	360,450	294,711
Card related fees (debit and credit cards)	2,617,495	1,799,017
Credit related fees	330,999	135,440
Investment banking fee	58,963	73,384
Commission on trade	1,314,835	758,485
Commission on guarantees	374,716	284,569
Commission on cash management	436,178	415,686
Commission on remittances including home remittances	806,130	603,794
Commission on bancassurance	546,546	558,908
Rent on lockers	112,698	115,275
Commission on utility bills	37,297	40,412
Commission on investments services	62,592	28,346
Others	67,646	75,489
	8,791,497	6,725,767

#### 28. GAIN / (LOSS) ON SECURITIES

Realised	28.1	84,797	667,488
Unrealised - Held For Trading	10.1	(11,936)	(237)
		72,861	667,251
28.1 Realised gain on:			
Federal Government Securities		68,753	89,778
Shares		15,418	577,710
Others		626	-
		84,797	667,488

#### 29. OTHER INCOME

Rent on property	75,151	51,081
Gain on termination of lease liability against right of use assets	31,401	42,593
Gain on sale of fixed assets - net	9,369	31,318
Gain on sale of non-banking assets acquired in satisfaction of claims - net	776	-
	116,697	124,992

## MCB Bank Limited

### Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited) For The Half Year Ended June 30, 2023



	Unaudited Half Year ended June 30, 2023	Unaudited Half Year ended June 30, 2022
	-----Rupees in '000-----	
<b>30. OPERATING EXPENSES</b>		
<b>Total compensation expense</b>	11,038,979	9,232,758
<b>Property expense</b>		
Rent and taxes	152,187	84,407
Insurance	12,719	9,940
Utilities cost	853,691	694,925
Fuel expense generators	634,045	346,163
Security (including guards)	884,578	804,496
Repair and maintenance (including janitorial charges)	482,335	429,703
Depreciation on right-of-use assets	687,348	653,480
Depreciation	442,133	374,107
	4,149,036	3,397,221
<b>Information technology expenses</b>		
Software maintenance	832,762	577,686
Hardware maintenance	160,722	124,737
Depreciation	363,791	296,046
Amortization	170,839	211,893
Network charges	302,968	288,352
Insurance	2,218	1,367
	1,833,300	1,500,081
<b>Other operating expenses</b>		
Directors' fees and allowances	18,620	18,720
Legal and professional charges	184,299	163,844
Outsourced services costs	434,057	418,624
Travelling and conveyance	213,459	173,793
NIFT clearing charges	107,078	89,058
Depreciation	543,336	468,525
Depreciation on non-banking assets acquired in satisfaction of claims	11,939	11,973
Training and development	46,658	30,544
Postage and courier charges	120,211	128,238
Communication	560,093	191,189
Stationery and printing	530,797	358,219
Marketing, advertisement & publicity	351,075	435,999
Donations	10,000	-
Auditors' remuneration	29,560	26,735
Cash transportation charges	534,505	456,543
Repair and maintenance	311,743	255,535
Subscription	10,828	10,759
Entertainment	174,734	129,741
Remittance charges	131,466	113,480
Brokerage expenses	20,438	18,080
Card related expenses	1,282,682	576,516
CNIC verification charges	173,814	184,676
Insurance	972,927	901,738
Others	183,059	146,284
	6,957,378	5,308,813
	23,978,693	19,438,873
<b>31. OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	25,734	4,168
VAT & National Building tax & Crop Insurance Levy	192,395	58,920
Education cess	46,614	-
	264,743	63,088

## MCB Bank Limited

### Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited) For The Half Year Ended June 30, 2023



	Note	Unaudited Half Year ended June 30, 2023	Unaudited Half Year ended June 30, 2022
		-----Rupees in '000-----	
<b>32. PROVISIONS / (REVERSALS) &amp; WRITE OFFS - NET</b>			
Provision / (reversal) against balance with Banks		10,296	(698)
Provision for diminution in value of investments	10.2.1	1,824,672	916,697
Provision / (reversal) against loans and advances	11.3	119,650	(1,696,094)
Provision / (reversal) against off balance sheet items		8,420	(4)
Provision against other assets	15.1.1	33,666	80,125
Bad debts written off directly		-	676
Recovery of written off / charged off bad debts		(84,945)	(102,800)
		1,911,759	(802,098)
<b>33. TAXATION</b>			
Current		26,476,225	16,991,473
Prior years		-	3,470,506
Deferred		678,277	949,241
		27,154,502	21,411,220
<b>34. BASIC AND DILUTED EARNINGS PER SHARE</b>			
		-----Rupees in '000-----	
Profit after tax		26,687,032	11,124,664
		-----Number-----	
Weighted average number of ordinary shares		1,185,060,006	1,185,060,006
		-----Rupees-----	
Basic and diluted earnings per share		22.52	9.39





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. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy.

In the opinion of the management, the fair value of the financial assets and financial liabilities other than those carried at fair value and disclosed in note 35.1 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 Treasury Bills and fixed rate Pakistan Investments Bonds (PIBs) are determined using the PKRV rates. Floating rate PIBs are revalued using PKFRV 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 mark-to-market currency 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.
Unlisted Shares	Breakup value determined on the basis of NAV of the company using the latest available audited financial statements.
Mutual Funds	Units of mutual funds are valued using the Net Asset Value (NAV) announced by the Mutual Funds Association of Pakistan (MUFAP)
Operating fixed assets (land and building) & Non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets.

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, 2023					
Carrying / Notional 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	1,063,697,605	-	1,063,697,605	-	1,063,697,605
Shares	17,066,258	17,066,258	-	-	17,066,258
Non-Government Debt Securities	2,954,487	-	2,954,487	-	2,954,487
Foreign Securities	21,800,947	-	21,800,947	-	21,800,947
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares, subsidiaries and associates)	42,788,520	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	63,565,874	-	63,565,874	-	63,565,874
Non-banking assets	2,706,682	-	2,706,682	-	2,706,682
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	93,275,860	-	1,862,885	-	1,862,885
Forward sale of foreign exchange	67,465,896	-	1,170,992	-	1,170,992
Derivatives purchase	689,127	-	197,441	-	197,441
Derivatives sale	689,127	-	197,343	-	197,343
Audited December 31, 2022					
Carrying / Notional 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	913,772,807	-	913,772,807	-	913,772,807
Shares	16,486,590	16,423,058	63,532	-	16,486,590
Non-Government Debt Securities	2,959,622	-	2,959,622	-	2,959,622
Foreign Securities	4,112,387	-	4,112,387	-	4,112,387
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares, subsidiaries and associates)	41,399,734	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	65,348,646	-	65,348,646	-	65,348,646
Non-banking assets	2,804,844	-	2,804,844	-	2,804,844
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	75,618,221	-	266,932	-	266,932
Forward sale of foreign exchange	55,916,836	-	254,880	-	254,880
Derivatives purchase	9,120,959	-	778,441	-	778,441
Derivatives sale	9,120,959	-	778,137	-	778,137

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

Unaudited Half year ended June 30, 2023									
	Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	Others	Sub-total	Eliminations	Total
	Rupees in '000								
<b>Profit &amp; Loss</b>									
Net mark-up/return/profit	(43,939,273)	2,383,553	35,794,899	69,378,193	3,391,497	-	67,008,869	-	67,008,869
Inter segment revenue - net	107,763,165	(1,405,600)	(29,412,026)	(84,570,328)	(172,247)	7,797,036	-	-	-
Non mark-up / return / interest income	5,350,087	1,301,957	3,710,990	2,259,371	1,093,655	348,631	14,064,691	-	14,064,691
Total Income	69,173,979	2,279,910	10,093,863	(12,932,764)	4,312,905	8,145,667	81,073,560	-	81,073,560
Segment direct expenses	15,978,802	1,147,198	519,098	313,298	1,249,183	6,112,688	25,320,267	-	25,320,267
Inter segment expense allocation	-	-	-	-	-	-	-	-	-
Total expenses	15,978,802	1,147,198	519,098	313,298	1,249,183	6,112,688	25,320,267	-	25,320,267
Provisions	501,212	36,029	43,984	1,304,165	673,955	(647,586)	1,911,759	-	1,911,759
Profit before tax	52,693,965	1,096,683	9,530,781	(14,550,227)	2,389,767	2,680,565	53,841,534	-	53,841,534
<b>Balance Sheet</b>									
Cash & Bank balances	71,999,196	811,856	266,968	109,016,592	44,854,991	2,577,464	229,527,067	-	229,527,067
Investments	-	-	10,717,560	1,109,889,718	27,700,539	-	1,148,307,817	-	1,148,307,817
Net inter segment lending	1,219,262,065	-	-	-	-	208,733,572	1,427,995,627	(1,427,995,627)	-
Lendings to financial institutions	-	-	-	25,463,594	43,820,830	-	69,284,424	-	69,284,424
Advances - performing	99,302,601	39,110,725	429,167,693	-	17,928,900	-	585,509,919	-	585,509,919
- non performing	113,463	89,101	1,656,630	-	9,155,863	763,822	11,778,879	-	11,778,879
Others	57,820,876	4,764,827	56,454,714	34,267,671	6,357,059	75,561,090	235,226,237	-	235,226,237
<b>Total Assets</b>	1,448,498,191	44,776,509	498,263,565	1,278,637,575	149,818,182	287,635,948	3,707,629,970	(1,427,995,627)	2,279,634,343
Borrowings	10,428,654	14,220	101,609,730	130,544,908	4,398,845	-	246,996,357	-	246,996,357
Deposits & other accounts	1,418,102,611	24,880,211	110,525,528	-	116,624,369	8,032	1,670,140,751	-	1,670,140,751
Net inter segment borrowing	-	15,325,705	245,049,709	1,144,415,093	23,205,120	-	1,427,995,627	(1,427,995,627)	-
Others	19,966,926	4,556,373	41,078,598	3,677,574	5,589,848	84,705,248	159,574,567	-	159,574,567
<b>Total liabilities</b>	1,448,498,191	44,776,509	498,263,565	1,278,637,575	149,818,182	84,713,280	3,504,707,302	(1,427,995,627)	2,076,711,675
Equity						202,922,668	202,922,668	-	202,922,668
<b>Total Equity &amp; liabilities</b>	1,448,498,191	44,776,509	498,263,565	1,278,637,575	149,818,182	287,635,948	3,707,629,970	(1,427,995,627)	2,279,634,343
<b>Contingencies &amp; Commitments</b>	80,425,806	-	493,182,151	163,218,893	25,165,166	31,080,722	793,072,738	-	793,072,738

Unaudited Half year ended June 30, 2022

	Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	Others	Sub-total	Eliminations	Total
<b>Profit &amp; Loss</b>									
Net mark-up/return/profit	(31,327,745)	1,823,881	16,614,049	50,955,242	922,737	-	38,988,164	-	38,988,164
Inter segment revenue - net	62,291,678	(825,857)	(14,714,892)	(53,148,446)	(76,665)	6,474,182	-	-	-
Non mark-up / return / interest income	4,464,500	1,136,377	2,568,472	3,899,929	546,018	283,005	12,898,301	-	12,898,301
Total Income	35,428,433	2,134,401	4,467,629	1,706,725	1,392,090	6,757,187	51,886,465	-	51,886,465
Segment direct expenses	13,155,395	967,020	441,644	251,751	673,137	4,663,732	20,152,679	-	20,152,679
Inter segment expense allocation	-	-	-	-	-	-	-	-	-
Total expenses	13,155,395	967,020	441,644	251,751	673,137	4,663,732	20,152,679	-	20,152,679
Provisions	(216,760)	14,955	(44,324)	903,930	9,099	(1,468,998)	(802,098)	-	(802,098)
Profit before tax	22,489,798	1,162,426	4,070,309	551,044	709,954	3,562,453	32,535,884	-	32,535,884

Audited December 31, 2022

Cash & Bank balances	34,485,076	622,340	242,694	60,644,247	23,563,344	1,683,327	121,241,028	-	121,241,028
Investments	-	-	10,517,351	958,937,705	9,276,084	-	978,731,140	-	978,731,140
Net inter segment lending	1,114,563,069	-	-	-	-	190,628,927	1,305,191,986	(1,305,191,986)	-
Lendings to financial institutions	-	-	-	26,679,756	23,736,012	-	50,415,768	-	50,415,768
Advances - performing	96,972,626	41,235,105	589,623,635	-	16,255,805	-	744,087,471	-	744,087,471
- non performing	156,088	87,709	1,380,470	-	7,257,344	430,794	9,312,405	-	9,312,405
Others	50,005,640	2,399,035	37,780,657	26,778,287	1,667,282	62,936,751	181,567,652	-	181,567,652
<b>Total Assets</b>	<b>1,296,182,489</b>	<b>44,344,189</b>	<b>639,544,807</b>	<b>1,073,039,995</b>	<b>81,755,871</b>	<b>255,679,799</b>	<b>3,390,547,150</b>	<b>(1,305,191,986)</b>	<b>2,085,355,164</b>
Borrowings	13,558,449	-	98,051,501	227,813,628	813,687	-	340,237,265	-	340,237,265
Deposits & other accounts	1,209,548,280	20,379,488	87,712,328	-	61,067,142	9,830	1,378,717,068	-	1,378,717,068
Net inter segment borrowing	-	18,909,590	428,058,745	841,864,507	16,359,144	-	1,305,191,986	(1,305,191,986)	-
Others	73,075,760	5,055,111	25,722,233	3,361,860	3,515,898	66,175,319	176,906,181	-	176,906,181
<b>Total liabilities</b>	<b>1,296,182,489</b>	<b>44,344,189</b>	<b>639,544,807</b>	<b>1,073,039,995</b>	<b>81,755,871</b>	<b>66,185,149</b>	<b>3,201,052,500</b>	<b>(1,305,191,986)</b>	<b>1,895,860,514</b>
Equity	-	-	-	-	-	189,494,650	189,494,650	-	189,494,650
<b>Total Equity &amp; liabilities</b>	<b>1,296,182,489</b>	<b>44,344,189</b>	<b>639,544,807</b>	<b>1,073,039,995</b>	<b>81,755,871</b>	<b>255,679,799</b>	<b>3,390,547,150</b>	<b>(1,305,191,986)</b>	<b>2,085,355,164</b>
Contingencies & Commitments	76,591,298	-	376,393,133	163,574,410	18,749,788	30,345,931	665,654,560	-	665,654,560

**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 Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these unconsolidated condensed interim financial statements are as follows:

	Unaudited June 30, 2023				Audited December 31, 2022					
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
(Rupees in '000)										
Lendings to Financial Institutions										
Opening balance	-	-	-	-	-	-	-	3,500,000	-	-
Addition during the period / year	-	-	53,200,000	-	-	-	-	118,446,765	-	-
Repaid during the period / year	-	-	(51,264,570)	-	-	-	-	(121,946,765)	-	-
Closing balance	-	-	1,935,430	-	-	-	-	-	-	-
Investments										
Opening balance	-	-	16,318,312	700,401	249,253	-	-	12,319,037	700,401	254,253
Investment made during the period / year	-	-	649,925	-	-	-	-	4,000,000	-	-
Investment disposed off during the period / year	-	-	-	-	-	-	-	(725)	-	(5,000)
Closing balance	-	-	16,968,237	700,401	249,253	-	-	16,318,312	700,401	249,253
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-
Advances										
Opening balance	1,543	281,237	1,039,898	-	4,445,292	109	147,331	940,062	1,018,449	3,084,862
Addition / exchange adjustment during the period / year	1,982	47,552	137,527	-	792,832	23,615	93,306	99,836	-	14,754,662
Repaid / exchange adjustment during the period / year	(2,757)	(60,807)	-	-	(3,865,990)	(22,181)	(69,178)	-	(1,018,449)	(13,394,232)
Transfer (out) / in	-	(4,457)	-	-	-	-	109,778	-	-	-
Closing balance	768	263,525	1,177,425	-	1,372,134	1,543	281,237	1,039,898	-	4,445,292
Provision held against advances	-	-	-	-	-	-	-	-	-	-
Fixed Assets										
Purchase of fixed assets	-	-	-	2,517	29,145	-	-	200,000	6,157	62,667

	Unaudited June 30, 2023				Audited December 31, 2022					
	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
(Rupees in '000)										
<b>Other Assets</b>										
Markup receivable	-	3,736	88,611	-	27,212	-	3,208	5,942	-	64,394
Advances, deposits, advance rent and other prepayments	-	-	15,255	318,415	25,670	-	-	11,500	288,433	25,594
Receivable from Pension Fund	-	-	-	-	2,938,830	-	-	-	-	2,768,142
Unrealized gain on forward foreign exchange contracts - outstanding	-	-	756	-	-	-	-	3	-	-
	-	3,736	104,622	318,415	2,991,712	-	3,208	17,445	288,433	2,858,120
<b>Borrowings</b>										
Opening balance	-	-	5,146	-	-	-	-	19,134	-	103,120
Borrowings / exchange adjustment during the period / year	-	-	602,364	-	-	-	-	1,570,501	-	-
Settled during the period / year	-	-	(568,684)	-	-	-	-	(1,584,489)	-	(103,120)
Closing balance	-	-	38,826	-	-	-	-	5,146	-	-
<b>Deposits and other accounts</b>										
Opening balance	193,547	184,112	187,369	5,623,897	5,594,903	700,547	196,067	51,961	3,827,846	8,285,021
Received during the period / year	901,246	884,229	2,948,443	49,407,074	33,350,340	7,966,971	1,508,191	5,793,034	59,131,008	109,663,854
Withdrawn during the period / year	(1,011,028)	(868,688)	(3,017,415)	(47,773,740)	(29,610,396)	(8,473,340)	(1,534,378)	(5,657,626)	(57,334,957)	(112,340,190)
Transfer in / (out) - net	-	374	-	-	966	(631)	14,232	-	-	(13,782)
Closing balance	83,765	200,027	118,397	7,257,231	9,335,813	193,547	184,112	187,369	5,623,897	5,594,903
<b>Other Liabilities</b>										
Markup payable	-	2,420	-	23,646	17,358	4,804	1,171	883	59,052	46,907
Accrued expenses and other payable	-	-	54,132	134,174	174	-	-	29,100	81,476	1,571
Payable to MCB Employee Security Services	-	-	-	-	-	-	-	-	-	14,314
Advance received against sale of property	-	-	20,000	-	-	-	-	20,000	-	-
	-	2,420	74,132	157,820	17,532	4,804	1,171	49,983	140,528	62,792
<b>Contingencies and Commitments</b>										
Letter of Credit	-	-	-	-	8,395,660	-	-	-	-	6,638,499
Bank guarantees	-	-	78,528	8,968,284	1,459,856	-	-	70,227	7,102,828	1,053,845
Forward foreign exchange contracts (Notional)	-	-	716,500	-	-	-	-	86,341	-	-
	-	-	795,028	8,968,284	9,855,516	-	-	156,568	7,102,828	7,692,344



(Rupees in '000)										
Unaudited June 30, 2023						Unaudited June 30, 2022				
Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	
<b>Income</b>										
Markup / return / interest earned	24	11,017	267,655	-	53,272	49	8,932	240,751	26,803	129,712
Fee and commission income	-	-	65,770	377,761	6,638	-	-	29,743	401,025	2,891
Dividend income	-	-	-	114,704	50,169	-	-	73,914	105,000	33,750
Loss on forward foreign exchange contracts matured	-	-	-	-	-	-	-	-	-	(360)
Net gain / (loss) on sale of securities	-	(23)	-	623	868	-	23	-	156	37,201
Gain on sale of fixed assets	-	136	-	-	-	-	71	-	-	626
Rent income	-	-	33,144	5,164	3,288	-	-	27,404	6,820	1,920
<b>Expense</b>										
Markup / return / interest expensed	7,202	4,782	3,724	273,263	390,591	21,171	1,736	1,475	105,015	771,238
<b>Other Operating expenses</b>										
Clearing expenses paid to NIFT	-	-	-	-	107,078	-	-	-	-	89,058
Contribution to provident fund	-	-	-	-	273,445	-	-	-	-	240,906
Rent expenses	-	-	-	37,966	27,139	-	-	6,324	34,626	25,961
Cash sorting expenses	-	-	-	-	67,736	-	-	-	-	56,866
Stationery expenses	-	-	-	-	275,274	-	-	-	-	162,696
Security guards expenses	-	-	-	-	54,432	-	-	-	-	146,620
Remuneration to key executives and non-executive directors fee	103,751	563,791	-	-	-	85,864	404,677	-	-	-
Outsourcing service expenses	-	-	-	72,511	-	-	-	-	62,065	-
E-dividend processing fee and CDC charges	-	-	-	-	2,769	-	-	-	-	3,121
Travelling Expenses	-	-	-	-	11,763	-	-	-	-	25,699
Hotel stay expenses	-	-	-	-	3,164	-	-	-	-	3,963
Repair and maintenance charges	-	-	-	-	2,160	-	-	-	-	1,206
Advertisement Expenses	-	-	-	-	-	-	-	-	-	3,132
Utility expenses	-	-	-	-	366	-	-	-	-	-
Miscellaneous expenses and payments	-	-	-	-	979	-	-	-	-	4,556
Donation Expenses	-	-	-	-	5,000	-	-	-	-	-
Insurance premium-net of refund	-	-	-	324,575	-	-	-	-	423,806	-
Insurance claim settled	-	-	-	12,841	-	-	-	-	24,273	-
<b>Other Transactions</b>										
Proceeds from sale of fixed assets	-	136	-	-	-	-	6,329	-	-	1,417
Sale of foreign currency	-	-	17,797,689	-	-	-	-	11,433,731	-	-
Purchase of foreign currency	-	-	21,025,838	-	-	-	-	7,138,604	-	436,000
Payments against home remittances	-	-	2,968,591	-	-	-	-	2,306,511	-	-
Reimbursement of other expenses	-	-	32,235	-	-	-	-	21,718	-	-
Sale of government securities	12,964	100,283	-	12,036,173	17,077,946	-	83,990	-	6,968,691	19,831,120
Purchase of government securities	4,995	98,970	-	3,969,079	32,596,383	-	8,803	-	9,987,678	13,995,326
Forward exchange contracts matured during the period	-	-	-	-	399,000	-	-	-	-	961,076
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										

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, 2023	Audited December 31, 2022
	-----Rupees in '000-----	
<b>38 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>38.1 Capital Adequacy</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	11,850,600	11,850,600
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	174,319,576	160,614,100
Eligible Additional Tier 1 (ADT 1) Capital	-	-
<b>Total Eligible Tier 1 Capital</b>	174,319,576	160,614,100
Eligible Tier 2 Capital	24,488,005	24,770,221
<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	198,807,581	185,384,321
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	768,789,909	738,811,439
Market Risk	75,974,602	68,557,601
Operational Risk	176,709,846	176,709,846
<b>Total</b>	1,021,474,357	984,078,886
<b>Common Equity Tier 1 Capital Adequacy ratio</b>	17.07%	16.32%
<b>Tier 1 Capital Adequacy Ratio</b>	17.07%	16.32%
<b>Total Capital Adequacy Ratio</b>	19.46%	18.84%
<b>38.2 Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	174,319,576	160,614,100
Total Exposures	2,960,999,662	2,623,267,930
<b>Leverage Ratio</b>	5.89%	6.12%
<b>38.3 Liquidity Requirements</b>		
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	1,001,355,837	750,264,991
Total Net Cash Outflow	407,101,932	367,492,625
<b>Liquidity Coverage Ratio</b>	245.97%	204.16%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	1,422,667,085	1,251,409,014
Total Required Stable Funding	979,215,047	906,145,461
<b>Net Stable Funding Ratio</b>	145.29%	138.10%





39 EVENTS AFTER THE REPORTING DATE

The Board of Directors in its meeting held on August 02, 2023 has announced an interim cash dividend in respect of half year ended June 30, 2023 of Rs. 7.00 per share (June 30, 2022: Rs. 4.00 per share). These unconsolidated condensed interim financial statements for the half year ended June 30, 2023 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

40 GENERAL

Comparative information has been rearranged wherever necessary for better presentation of the financial statements. There have been no significant reclassifications during the period.

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 02, 2023.



MCB BANK LIMITED

Consolidated Condensed Interim Financial Statements for the half year ended June 30, 2023

 Shoaib Mumtaz President / CEO	 Hammad Khalid Chief Financial Officer	 Mian Umer Mansha Director	 Shahzad Hussain Director	 Muhammad Ali Zeb Director
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# MCB Bank Limited & Subsidiary Companies

## Consolidated Condensed Interim Statement of Financial Position As At June 30, 2023



	Note	Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees in '000-----			
<b>ASSETS</b>			
Cash and balances with treasury banks	7	200,723,379	110,275,163
Balances with other banks	8	53,250,031	26,162,849
Lendings to financial institutions	9	76,798,994	56,585,768
Investments	10	1,223,108,449	1,040,889,059
Advances	11	692,405,228	844,985,763
Fixed assets	12	84,798,138	85,021,165
Intangible assets	13	1,667,236	1,682,671
Deferred tax assets	14	12,059,916	5,439,278
Other assets	15	153,869,058	103,291,437
		2,498,680,429	2,274,333,153
<b>LIABILITIES</b>			
Bills payable	17	18,120,035	42,874,366
Borrowings	18	259,809,123	356,016,610
Deposits and other accounts	19	1,855,100,177	1,532,695,961
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	14	-	-
Other liabilities	20	156,189,089	148,268,469
		2,289,218,424	2,079,855,406
<b>NET ASSETS</b>		209,462,005	194,477,747
<b>REPRESENTED BY</b>			
Share capital		11,850,600	11,850,600
Reserves	21	98,101,472	89,640,476
Surplus on revaluation of assets - net of tax	22	13,754,152	19,458,482
Unappropriated profit		85,431,688	72,795,700
		209,137,912	193,745,258
Non-controlling interest		324,093	732,489
		209,462,005	194,477,747
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		

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

# MCB Bank Limited & Subsidiary Companies

## Consolidated Condensed Interim Profit & Loss Account (Un-audited) For The Half Year Ended June 30, 2023



	Note	Quarter Ended April 01 to June 30, 2023	Quarter Ended April 01 to June 30, 2022	Half Year Ended January 01 to June 30, 2023	Half Year Ended January 01 to June 30, 2022
-----Rupees in '000-----					
Mark-up / return / interest earned	25	89,999,147	49,626,948	160,232,937	92,315,591
Mark-up / return / interest expensed	26	48,824,177	26,735,149	86,015,544	50,066,043
Net mark-up / interest income		41,174,970	22,891,799	74,217,393	42,249,548
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee and commission income	27	5,254,002	3,824,930	9,902,627	7,373,534
Dividend income		724,997	406,040	1,379,179	1,104,802
Foreign exchange income		2,870,941	2,951,739	3,907,029	4,237,583
Income / (loss) from derivatives		819	9,531	12,875	11,970
Gain / (loss) on securities	28	(11,528)	87,586	72,815	377,997
Other income	29	69,044	73,979	120,945	123,470
Total non-markup / interest income		8,908,275	7,353,805	15,395,470	13,229,356
Total Income		50,083,245	30,245,604	89,612,863	55,478,904
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Operating expenses	30	14,245,212	11,827,867	27,803,288	22,582,275
Workers Welfare Fund		678,911	361,239	1,175,069	667,307
Other charges	31	167,902	42,166	266,069	64,668
Total non-markup / interest expenses		15,092,025	12,231,272	29,244,426	23,314,250
Share of profit of associates		327,921	157,916	331,678	362,387
<b>Profit before provisions</b>		35,319,141	18,172,248	60,700,115	32,527,041
Provisions / (reversals) and write offs - net	32	1,490,560	71,218	2,230,515	(921,170)
<b>PROFIT BEFORE TAXATION</b>		33,828,581	18,101,030	58,469,600	33,448,211
Taxation	33	19,133,413	15,820,151	29,795,186	22,061,683
<b>PROFIT AFTER TAXATION</b>		14,695,168	2,280,879	28,674,414	11,386,528
Loss / (profit) attributable to non-controlling interest		(24,458)	5,569	(75,684)	(17,191)
<b>PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE BANK</b>		14,670,710	2,286,448	28,598,730	11,369,337
<b>Basic and diluted earnings per share</b>	34	12.38	1.93	24.13	9.59

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

Shoaib Mumtaz  
President / CEO

Hammad Khalid  
Chief Financial Officer

Mian Umer Mansha  
Director

Shahzad Hussain  
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Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)  
For The Half Year Ended June 30, 2023



Profit after taxation for the period

Other comprehensive income / (loss)

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
- Non-controlling interest

Share of exchange translation reserve of associate

Movement in surplus / (deficit) on revaluation of investments - net of tax

- Equity shareholders of the bank

Movement in surplus on associated undertaking - net of tax

Items that will not be reclassified to profit and loss account in subsequent periods:

Remeasurement gain / (loss) on defined benefit obligations - net of tax  
Movement in surplus on revaluation of fixed assets - net of tax  
Movement in surplus on revaluation of non-banking assets - net of tax

Total comprehensive income / (loss)

Attributable to:

- Equity shareholders of the bank
- Non-controlling interest

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

	Quarter Ended		Half Year Ended	
	April 01 to June 30, 2023	April 01 to June 30, 2022	January 01 to June 30, 2023	January 01 to June 30, 2022
	-----Rupees in '000-----			
Profit after taxation for the period	14,695,168	2,280,879	28,674,414	11,386,528
Other comprehensive income / (loss)				
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	272,362	631,600	5,292,778	(553,006)
- Non-controlling interest	6	40	125	53
	272,368	631,640	5,292,903	(552,953)
Share of exchange translation reserve of associate	116,697	19,738	106,395	33,925
Movement in surplus / (deficit) on revaluation of investments - net of tax				
- Equity shareholders of the bank	4,307,286	(5,333,831)	(3,926,865)	(8,525,734)
Movement in surplus on associated undertaking - net of tax	(266,696)	(171,024)	(60,429)	(192,055)
	4,040,590	(5,504,855)	(3,987,294)	(8,717,789)
	4,429,655	(4,853,477)	1,412,004	(9,236,817)
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement gain / (loss) on defined benefit obligations - net of tax	292,162	164,273	292,162	164,273
Movement in surplus on revaluation of fixed assets - net of tax	(471,259)	(144,950)	(471,259)	(144,950)
Movement in surplus on revaluation of non-banking assets - net of tax	(52,418)	(28,135)	(52,418)	(28,135)
	(231,515)	(8,812)	(231,515)	(8,812)
Total comprehensive income / (loss)	18,893,308	(2,581,410)	29,854,903	2,140,899
Attributable to:				
- Equity shareholders of the bank	18,868,844	(2,575,881)	29,779,094	2,123,655
- Non-controlling interest	24,464	(5,529)	75,809	17,244
	18,893,308	(2,581,410)	29,854,903	2,140,899

Consolidated Condensed Interim Statement of Changes In Equity (Un-audited)  
For The Half Year Ended June 30, 2023



	Quarter Ended		Half Year Ended	
	April 01 to June 30, 2023	April 01 to June 30, 2022	January 01 to June 30, 2023	January 01 to June 30, 2022
	-----Rupees in '000-----			
Share capital	11,850,600	23,973,024	908,317	3,332,533
Share premium	-	-	-	-
Capital reserve	-	-	-	-
Non-distributable capital reserve	-	-	-	-
Exchange translation reserve	-	-	-	-
Statutory reserve	-	-	-	-
General reserve	-	-	-	-
Revenue reserve	-	-	-	-
Surplus/(deficit) on revaluation of investments	-	-	-	-
Associate	-	-	-	-
Fixed non-banking assets	-	-	-	-
Unappropriated profit	-	-	-	-
Sub total	-	-	-	-
Non controlling interest	-	-	-	-
Grand Total	-	-	-	-

Balance as at December 31, 2021 (Audited)

Total comprehensive income for the period ended June 30, 2022

Profit after taxation for the period ended June 30, 2022

Other comprehensive loss - net of tax

Transfer to statutory reserve

Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Surplus realized on disposal of revalued fixed assets - net of tax

Surplus realized on disposal of non-banking assets - net of tax

Transactions with owners, recorded directly in equity

Final cash dividend at Rs. 5.0 per share - December 31, 2021

Interim cash dividend at Rs. 5.0 per share - March 31, 2022

Share of dividend attributable to Non-controlling interest

Balance as at June 30, 2022 (Un-audited)

Change in equity for six months period ended December 31, 2022

Total comprehensive income for the six months period ended December 31, 2022

Profit after taxation for the six months period ended December 31, 2022

Other comprehensive income - net of tax

Transfer to statutory reserve

Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Surplus realized on disposal of revalued fixed assets - net of tax

Surplus realized on disposal of non-banking assets - net of tax

Transactions with owners, recorded directly in equity

Interim cash dividend at Rs. 4.0 per share - June 30, 2022

Interim cash dividend at Rs. 5.0 per share - September 30, 2022

Share of dividend attributable to Non-controlling interest

Balance as at December 31, 2022 (Audited)

Total comprehensive income for the period ended June 30, 2023

Profit after taxation for the period ended June 30, 2023

Other comprehensive income - net of tax

Transfer to statutory reserve

Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Surplus realized on disposal of revalued fixed assets - net of tax

Surplus realized on disposal of non-banking assets - net of tax

Acquisition of additional interest in subsidiary

Transactions with owners, recorded directly in equity

Final cash dividend at Rs. 6.0 per share - December 31, 2022

Interim cash dividend at Rs. 6.0 per share - March 31, 2023

Share of dividend attributable to Non-controlling interest

Balance as at June 30, 2023 (Un-audited)

For details of dividend declaration and appropriations, please refer note 39 to these consolidated condensed interim financial statements.

For details of reserves, please refer note 21 to these consolidated condensed interim financial statements.

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

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Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)  
For The Half Year Ended June 30, 2023



Note	Half Year Ended	
	January 01	January 01
	to	to
	June 30, 2023	June 30, 2022
-----Rupees in '000-----		
	58,469,600	33,448,211
	(1,710,857)	(1,467,189)
	56,758,743	31,981,022
30	1,583,418	1,355,437
30	961,951	884,288
30	11,939	11,973
30	271,318	303,396
32	2,230,515	(921,170)
29	(9,619)	(31,720)
29	(776)	-
26	715,656	697,099
	1,175,069	667,307
	148,131	90,813
	(8,809)	(7,224)
29	(37,720)	(42,593)
28	11,936	43,457
	7,053,009	3,051,063
	63,811,752	35,032,085
	(20,213,226)	(56,555,705)
	(116,802)	(7,021,910)
	152,227,248	(15,869,890)
	(36,634,040)	(16,165,355)
	95,263,180	(95,612,860)
	(24,754,331)	(10,812,400)
	(96,072,164)	(111,326,365)
	322,404,216	198,501,236
	(10,802,239)	5,664,715
	190,775,482	82,027,186
	(132,813)	(128,794)
	(25,627,333)	(12,646,515)
	324,090,268	8,671,102
	(186,284,955)	26,415,976
	(8,950,874)	554,370
	1,483,392	1,189,814
	(3,183,043)	(2,040,034)
	(250,355)	(120,491)
	1,741,500	50,851
	87,000	87,800
	(649,925)	-
	(162,602)	84,861
	5,292,903	(552,953)
	(190,876,959)	25,670,194
	(1,451,151)	(1,147,420)
	(14,091,437)	(11,825,601)
	(15,542,588)	(12,973,021)
	11,422,007	4,653,192
	129,092,728	26,021,467
	124,208,540	192,140,943
	253,301,268	218,162,410

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

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Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



1. STATUS AND NATURE OF BUSINESS

The Group consists of:

- Holding Company - MCB Bank Limited

Subsidiary Companies

- MCB - Arif Habib Savings and Investments Limited  
- MCB Non-Bank Credit Organization Closed Joint Stock Company  
- MCB Islamic Bank Limited

"Percentage holding of  
MCB Bank Limited"

81.42%  
99.94%  
100%

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 1,431 branches (2022: 1,439 branches) within Pakistan and 08 branches (2022: 09 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

The Board of Directors of MCB Bank Limited (the Bank), in its meeting held on February 08, 2023 had approved an equity investment of Rs. 649.925 million to acquire further 30.09% shareholding of "MCB Arif-Habib Savings and Investments Limited" (MCBAH), an existing subsidiary of the Bank. On the recommendation of the Board, the Shareholders of the Bank also approved this equity investment in MCBAH in their Annual General Meeting held on March 27, 2023. Acquisition transaction was completed on April 18, 2023, subsequent to the approvals granted by the regulatory bodies.

2. BASIS OF PREPARATION

2.1 These consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of associates (the "Group").

a. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based in the financial statements for the half year ended June 30, 2023 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, 2023.

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.

2.3 The consolidated condensed interim financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency of its primary economic environment. 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 and lease liabilities which have been carried at present value and right of use assets which are initially measured at an amount equal to the corresponding lease liability and depreciated over the respective lease terms.



Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



3. STATEMENT OF COMPLIANCE

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

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

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

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002 and International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) through BSD Circular Letter No. 10, dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated 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 July 10, 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 consolidated 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, 2022.

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 Group for accounting periods beginning on or after January 1, 2023. 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 standard 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)
Amendment to IFRS 16 - Leases on sale and leaseback	January 1, 2024
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2024
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 Group which are exposed to credit risk.	

As per SBP's BPRD Circular No. 7 dated April 13, 2023, the effective date of IFRS 9 for banks in Pakistan has been extended from January 01, 2023 to January 01, 2024, and accordingly the Standard will be applied in the Group's financial statements for accounting periods beginning on or after January 01, 2024. As disclosed in note 3.3 to the consolidated annual financial statements of the Group for the year ended December 31, 2022, the Group had carried out an impact assessment based on the portfolio of financial instruments held at that date. Given the modified effective date of the Standard, the Group will reassess the impact of the Standard in due course as required under the relevant regulatory requirements.

These consolidated condensed interim financial statements have been prepared in accordance with the existing prudential regime to the extent of the Group's domestic operations, whereas the requirements of this standard are incorporated for overseas jurisdictions where IFRS 9 has been adopted.

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



There are other amendments and interpretations to existing standards that are mandatory for the Group's accounting periods beginning on or after January 1, 2023 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

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, 2022.

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, 2022.

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, 2022. 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.

7. CASH AND BALANCES WITH TREASURY BANKS

In hand

Local currency

Foreign currencies

With State Bank of Pakistan in

Local currency current accounts

Foreign currency current accounts

Foreign currency deposit account

With other central banks in

Foreign currency current accounts

With National Bank of Pakistan in

Local currency current accounts

Prize bonds

Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees in '000-----	

44,853,726	33,233,850
7,961,834	8,010,501
52,815,560	41,244,351
93,609,184	60,486,793
3,063,994	2,963,386
13,059,098	-
109,732,276	63,450,179
9,139,529	5,208,116
28,906,882	207,220
129,132	165,297
200,723,379	110,275,163

8. BALANCES WITH OTHER BANKS

In Pakistan

In current account

In deposit account

Outside Pakistan

In current accounts

In deposit accounts

9,636	29,428
2,007,245	7,383
2,016,881	36,811
22,673,075	18,954,730
28,560,075	7,171,308
51,233,150	26,126,038
53,250,031	26,162,849

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings

Repurchase agreement lendings (Reverse Repo)

Musharaka arrangements

43,920,830	23,736,012
23,428,164	26,679,756
9,450,000	6,170,000
76,798,994	56,585,768



	Unaudited June 30, 2023				Audited December 31, 2022			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								
<b>Held-for-trading securities</b>								
Shares	116,802	-	(11,936)	104,866	-	-	-	-
<b>Available-for-sale securities</b>								
Federal Government Securities	1,169,399,983	(517,549)	(45,604,294)	1,123,278,140	1,001,440,422	(134,427)	(32,886,502)	988,419,493
Shares and units	29,215,986	(10,922,491)	180,199	18,473,694	28,327,743	(9,618,325)	(721,393)	17,988,025
Non Government Debt Securities	3,723,840	-	(3,453)	3,720,387	3,723,840	-	5,782	3,729,622
Foreign Securities	21,647,508	(1,232)	154,671	21,800,947	4,134,882	(1,232)	(15,965)	4,117,885
	1,223,987,317	(11,441,272)	(45,272,877)	1,167,273,168	1,037,626,887	(9,753,984)	(33,618,076)	994,254,825
<b>Held-to-maturity securities</b>								
Federal Government Securities	41,399,762	(311,323)	-	41,088,439	32,670,061	(98,464)	-	32,571,597
Provincial Government Securities	118	(118)	-	-	118	(118)	-	-
Non Government Debt Securities	8,253,376	(477,541)	-	7,775,835	8,032,203	(477,541)	-	7,554,662
	49,653,256	(788,982)	-	48,864,274	40,702,382	(576,123)	-	40,126,259
<b>Associates</b>	6,866,141	-	-	6,866,141	6,507,975	-	-	6,507,975
<b>Total Investments</b>	1,280,623,516	(12,230,254)	(45,284,813)	1,223,108,449	1,084,837,244	(10,330,107)	(33,618,076)	1,040,889,059

10.1.1 Investments given as collateral

- Market Treasury Bills
- Pakistan Investment Bonds

10.2 Provision for diminution in value of investments

10.2.1 Opening balance  
Exchange and other adjustments

- Charge / (reversals)
- Charge for the period / year
- Reversal on disposals

Closing Balance

	Unaudited June 30, 2023	Audited December 31, 2022
Rupees in '000		
	7,118,574	32,722,107
	123,277,798	191,811,500
	130,396,372	224,533,607
	10,330,107	10,921,647
	75,475	27,649
	1,824,672	2,483,239
	1,824,672	(3,102,428)
	12,230,254	(619,189)
		10,330,107



10.2.2 Particulars of provision against debt securities  
Category of classification

Domestic

Loss

Category of classification	Unaudited June 30, 2023		Audited December 31, 2022	
	NPI	Provision	NPI	Provision
	-----Rupees in '000-----			
	477,659	477,659	477,659	477,659
	477,659	477,659	477,659	477,659

10.2.3 In addition to the above, overseas branches hold a general provision of Rs. 828.872 million (December 31, 2022: Rs. 232.891) in accordance with the requirements of IFRS 9.

10.3 The market value of securities classified as held-to-maturity as at June 30, 2023 amounted to Rs. 19,885.339 million (December 31, 2022: Rs. 19,878.357 million).

10.4 Investment in Adamjee Insurance Company Limited under equity method - holding 20.00% (2022: 20.00%)

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, 2023 amounted to Rs. 1,584.100 million. (2022: Rs. 1,971.900 million).

	Unaudited June 30, 2023	Audited December 31, 2022
Rupees in '000		
Opening balance	5,393,123	5,240,911
Share of profit for the period / year before tax	235,151	700,164
Dividend from associate	(105,000)	(210,000)
Share of tax	(197,453)	(163,131)
	(67,302)	327,033
Share of other comprehensive income	181,793	(174,821)
Closing balance	5,507,614	5,393,123
<b>Share of other comprehensive income</b>		
Share of unrealized surplus on assets -net of tax	75,398	(325,822)
Share of exchange translation reserve of associate	106,395	151,001
	181,793	(174,821)

10.5 Investment in Euronet Pakistan Private Limited under equity method - holding 30% (2022: 30.00%)

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'.

	Unaudited June 30, 2023	Audited December 31, 2022
Rupees in '000		
Opening balance	9,356	42,371
Share of profit / (loss) for the period / year before tax	7,479	(28,933)
Share of tax	(11,310)	(4,082)
	(3,831)	(33,015)
Closing balance	5,525	9,356

10.6 Investment in units of funds under management of MCB Arif Habib Savings and Investments Limited

During the current year, MCB Arif Habib Savings and Investments Limited, a subsidiary of the Bank has reclassified its investments in units of funds under its management from financial assets at fair value through profit or loss to investment in associates. The reclassification has no impact on the total amount of investments reflected in the statement of financial position, the earnings per share, the statement of comprehensive income and the statement of changes in equity.

	Unaudited June 30, 2023	Audited December 31, 2022
Rupees in '000		
Investment at the beginning of the period / year	1,105,496	1,242,630
Investment / (redemptions) during the period / year	162,602	(143,124)
Share of profit for the period / year	89,048	14,657
Dividend Income	(4,144)	(8,667)
	247,506	(137,134)
Closing balance	1,353,002	1,105,496

10.1 Investments by type:

Held-for-trading securities

Shares

Available-for-sale securities

- Federal Government Securities
- Shares and units
- Non Government Debt Securities
- Foreign Securities

Held-to-maturity securities

- Federal Government Securities
- Provincial Government Securities
- Non Government Debt Securities

Associates

Total Investments

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



	Performing		Non Performing		Total	
	Unaudited June 30, 2023	Audited December 31, 2022	Unaudited June 30, 2023	Audited December 31, 2022	Unaudited June 30, 2023	Audited December 31, 2022
Loans, cash credits, running finances, etc.	572,287,926	736,691,310	54,228,718	50,204,881	626,516,644	786,896,191
Islamic financing and related assets	92,330,220	89,208,021	1,697,027	1,678,791	94,027,247	90,886,812
Bills discounted and purchased	17,611,896	10,908,660	953,444	1,055,302	18,565,340	11,963,962
Advances - gross	682,230,042	836,807,991	56,879,189	52,938,974	739,109,231	889,746,965
Provision against advances						
- Specific	(2,982,862)	(2,638,230)	(43,721,141)	(42,122,972)	(43,721,141)	(42,122,972)
- General	(2,982,862)	(2,638,230)	(43,721,141)	(42,122,972)	(2,982,862)	(2,638,230)
Advances - net of provision	679,247,180	834,169,761	13,158,048	10,816,002	692,405,228	844,985,763

11.1 Particulars of advances (Gross)

In local currency  
In foreign currencies

11.2 Advances include Rs. 56,879,189 million (2022: Rs.52,938,974 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note		Unaudited June 30, 2023		Audited December 31, 2022	
	Non Performing Loans	Provision	Non Performing Loans	Provision	Non Performing Loans	Provision
-----Rupees in '000-----						
<b>Domestic</b>						
Other Assets Especially Mentioned	11.2.1	295	1,465,104	1,465,104	1,465,104	1,535
Substandard		238,487	1,326,934	238,487	1,326,934	172,053
Doubtful		423,625	139,735	423,625	139,735	69,867
Loss		37,192,878	38,151,508	37,192,878	38,151,508	37,281,168
<b>Overseas</b>						
Not past due but impaired		37,855,285	41,083,281	37,855,285	41,083,281	37,524,623
Overdue by:						
Upto 90 days		4,500	434,904	4,500	434,904	218,623
91 to 180 days		263	16,035	263	16,035	4,573
181 to 365 days		1,803	134	1,803	134	67
> 365 days		5,859,290	11,404,620	5,859,290	11,404,620	4,375,086
Total		58,655,856	11,855,693	58,655,856	11,855,693	4,598,349
		43,721,141	52,938,974	43,721,141	52,938,974	42,122,972

11.2.1 This includes non-performing portfolio of agricultural financing, small enterprise financing and infrastructure project financing classified as "Other Assets Especially Mentioned" as per the requirements of respective Prudential Regulations issued by the State Bank of Pakistan.

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



11.3 Particulars of provision against advances

Note	Unaudited June 30, 2023			Audited December 31, 2022		
	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----						
Opening balance	42,122,972	2,638,230	44,761,202	44,281,189	1,771,000	46,052,189
Exchange adjustments	1,231,212	274,174	1,505,386	711,262	144	711,406
Charge for the period / year	2,375,708	296,517	2,672,225	1,108,144	928,004	2,036,148
Reversals	(2,007,934)	(226,059)	(2,233,993)	(3,898,555)	(60,918)	(3,959,473)
	367,774	70,458	438,232	(2,790,411)	867,086	(1,923,325)
Amounts written off	(817)	-	(817)	(79,068)	-	(79,068)
Closing balance	43,721,141	2,982,862	46,704,003	42,122,972	2,638,230	44,761,202

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 Non Performing Loans (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. 680.462 million (December 31, 2022: Rs. 555.936 million) in determining the provisioning against non-performing Islamic financing and related assets as at June 30, 2023. The additional benefit arising from availing the FSV benefit - net of tax amounts to Rs. 347.036 million as at June 30, 2023 (December 31, 2022: Rs. 283.527 million) is not available for payment of cash or stock dividends to shareholders.

11.3.2 The Group maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing 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. In addition, the Group also maintains a general provision against gross advances on a prudent basis.

12. FIXED ASSETS

Note	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees in '000-----	
Capital work-in-progress	1,400,302	1,296,860
Property and equipment	75,856,955	75,935,987
Right-of-use assets	7,540,881	7,788,318
	84,798,138	85,021,165
12.1 Capital work-in-progress		
Civil works	827,935	929,384
Equipment	113,023	152,024
Advances to suppliers	360,953	212,007
Others	98,391	3,445
	1,400,302	1,296,860
	Unaudited Half Year ended June 30, 2023	Unaudited Half Year ended June 30, 2022
	-----Rupees in '000-----	

12.2 Additions to fixed assets

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

Capital work-in-progress - net additions	103,442	256,487
<b>Property and equipment</b>		
Freehold land	-	170,872
Building on freehold land	196,433	37,796
Building on leasehold land	2,639	711
Electrical office and computer equipment	2,135,380	1,237,226
Furniture and fixture	114,869	134,930
Leasehold Improvements	398,729	132,429
Vehicles	231,551	69,583
	3,079,601	1,783,547
Total	3,183,043	2,040,034

12.3 Disposal of fixed assets

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

Freehold land	1,699,344	-
Vehicles	10,820	13,379
Furniture and fixture	1,633	2,230
Electrical office and computer equipment	4,459	3,492
Leasehold Improvements	19	30
Building on freehold land	15,607	-
Total	1,731,881	19,131

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



Note	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees in '000-----	
<b>13. INTANGIBLE ASSETS</b>		
Capital work-in-progress	349,176	276,070
Goodwill	82,127	82,127
Management rights	192,000	192,000
Computer software	1,043,933	1,132,474
	<u>1,667,236</u>	<u>1,682,671</u>
	Unaudited Half Year ended June 30, 2023	Unaudited Half Year ended June 30, 2022
	-----Rupees in '000-----	
	73,106	-
	<u>177,249</u>	<u>337,449</u>
	<u>250,355</u>	<u>337,449</u>
	Unaudited June 30, 2023	Audited December 31, 2022
	-----Rupees in '000-----	
	1,853,689	1,426,401
	<u>22,183,708</u>	<u>14,455,774</u>
	<u>91,927</u>	<u>41,945</u>
	24,129,324	15,924,120
	(3,774,869)	(3,377,341)
	<u>(409,316)</u>	<u>(375,669)</u>
	(3,358,709)	(2,795,861)
	<u>(1,440,028)</u>	<u>(1,190,300)</u>
	(705,218)	(705,218)
	<u>(2,381,268)</u>	<u>(2,040,453)</u>
	(12,069,408)	(10,484,842)
	<u>12,059,916</u>	<u>5,439,278</u>
	62,985,183	46,063,081
	491,002	322,475
	6,004,644	4,596,339
	1,965,500	2,025,354
	133,809	133,809
	-	114,461
	2,571,823	1,639,308
	197,441	778,441
	42,019,557	27,938,800
	2,938,830	2,768,142
	29,123,035	14,417,909
	1,259,390	1,225,857
	6,742,010	3,460,089
	<u>156,432,224</u>	<u>105,484,065</u>
	3,398,505	3,066,275
	153,033,719	102,417,790
	835,339	873,647
	<u>153,869,058</u>	<u>103,291,437</u>
	94,157	94,157
	617,151	587,468
	<u>2,687,197</u>	<u>2,384,650</u>
	<u>3,398,505</u>	<u>3,066,275</u>
	3,066,275	2,709,281
	<u>33,666</u>	<u>109,887</u>
	-	(1,755)
	33,666	108,132
	(50)	(1,193)
	<u>298,614</u>	<u>250,055</u>
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	(50)	(1,193)
	<u>298,614</u>	<u>250,055</u>
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	<u>33,666</u>	<u>109,887</u>
	-	(1,755)





	Note	Unaudited June 30, 2023	Audited December 31, 2022
-----Rupees in '000-----			
<b>20. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		9,622,049	34,829,337
Mark-up/ return/ interest payable in foreign currencies		484,498	214,329
Unearned commission and income on bills discounted		1,697,616	1,313,520
Accrued expenses		7,050,664	7,840,303
Current taxation (provisions less payments)		21,373,895	18,155,030
Workers Welfare Fund	20.1	12,450,627	11,365,617
Acceptances	15	42,019,557	27,938,800
Unclaimed / dividends payable		2,866,035	2,736,752
Mark to market loss on forward foreign exchange contracts		2,167,081	1,047,154
Unrealised loss on derivative financial instruments		197,343	778,137
Branch adjustment account		35,232	-
Provision for employees' compensated absences		1,233,713	1,179,992
Provision for post retirement medical benefits		2,348,381	2,219,281
Provision for employees' contributory benevolent scheme		168,611	165,426
Insurance payable against consumer assets		703,477	828,882
Unclaimed balances		515,537	642,169
Duties and taxes payable		8,778,359	1,939,694
Charity fund balance		7,774	12,119
Provision against off-balance sheet obligations		66,863	48,403
Security deposits against lease		2,538,545	2,104,713
Lease liability against right of use assets		10,501,910	10,560,611
Clearing and settlement accounts		22,665,909	15,210,786
Others		6,695,413	7,137,414
		<b>156,189,089</b>	<b>148,268,469</b>

**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 Group maintained its provision in respect of WWF.

	Note	Unaudited June 30, 2023	Audited December 31, 2022
		-----Rupees in '000-----	
<b>21. RESERVES</b>			
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		10,244,870	4,845,697
Statutory reserve	21.2	44,375,261	41,313,438
General reserve		18,600,000	18,600,000
		<u>98,101,472</u>	<u>89,640,476</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 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, 2023	Audited December 31, 2022
		-----Rupees in '000-----	
<b>22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	(45,272,877)	(33,618,078)
- Fixed Assets		40,125,275	41,372,828
- Non-banking assets acquired in satisfaction of claims	15	835,339	873,647
- Associated undertaking		537,751	462,352
		(3,774,512)	9,090,749
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities	14	22,183,708	14,455,774
- Fixed Assets	14	(3,774,869)	(3,377,341)
- Non-banking assets acquired in satisfaction of claims	14	(409,316)	(375,669)
- Associated undertaking		(470,859)	(335,031)
		17,528,664	10,367,733
		13,754,152	19,458,482
<b>23. CONTINGENCIES AND COMMITMENTS</b>			
-Guarantees	23.1	328,407,494	284,145,632
-Commitments	23.2	488,540,634	393,253,385
-Other contingent liabilities	23.3	30,049,522	29,051,044
		846,997,650	706,450,061
<b>23.1 Guarantees:</b>			
Financial guarantees		121,718,598	224,156,073
Performance guarantees		195,647,884	49,704,896
Other guarantees		11,041,012	10,284,663
		328,407,494	284,145,632
<b>23.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		307,695,882	219,119,699
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	174,608,440	138,880,321
- forward government securities transactions	23.2.2	1,098,883	13,797,435
- derivatives	23.2.3	1,378,254	18,241,918
- commitments to extent credit		1,237,491	921,578
Commitments for acquisition of:			
- operating fixed assets		2,144,421	1,976,122
- intangible assets		377,263	316,312
		488,540,634	393,253,385
<b>23.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		100,015,540	80,282,447
Sale		74,592,900	58,597,874
		174,608,440	138,880,321
<b>23.2.2 Commitments in respect of forward government securities transactions</b>			
Purchase		250,000	12,328,130
Sale		848,883	1,469,305
		1,098,883	13,797,435
<b>23.2.3 Commitments in respect of derivatives</b>			
FX options			
Purchase		506,755	8,817,006
Sale		506,755	8,817,006
		1,013,510	17,634,012
Cross Currency Swaps			
Purchase		182,372	303,953
Sale		182,372	303,953
		364,744	607,906
		1,378,254	18,241,918

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)  
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**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.

	Note	Unaudited June 30, 2023	Audited December 31, 2022
		-----Rupees in '000-----	

**23.3 Other contingent liabilities**

Claims against the Group not acknowledged as debts	23.3.1	30,049,522	29,051,044
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**23.3.1** These mainly represent counter claims by borrowers for damages and other claims relating to banking transactions. Based on legal advice and / or internal assessments, management is confident that the matters will be decided in the Group's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these consolidated condensed interim financial statements.

**23.4 Taxation**

For assessment year 1988-89 through tax year 2022, the tax department disputed Group's treatment on certain issues, where the Group's appeals are pending at various appellate forums, entailing an additional tax liability of Rs. 1,419.522 million (2022: Rs. 844 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 Group has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Group are being contested by the department at higher forums. No provision has been made in these consolidated 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 Group's favour as and when these are taken up by the Appellate Authorities.

**23.5 Amortization of goodwill and other intangibles amounting to Rs 28.08 billion of Ex. NIB**

Issue of goodwill and other related assets amortization for few years has been assessed in Group's favour at appellate forums, however, the tax department has filed appeal against these decisions. The management has not recorded any tax benefit because the issue has not attained finality.

**24. DERIVATIVE INSTRUMENTS**

Unaudited June 30, 2023				
Cross Currency Swaps		FX Options		
Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss	
-----Rupees in '000-----				
<b>Total</b>				
Hedging	182,372	191,271	506,755	6,170
Market Making	182,372	(191,173)	506,755	(6,170)
Audited December 31, 2022				
-----Rupees in '000-----				
<b>Total</b>				
Hedging	303,953	185,139	8,817,006	593,302
Market Making	303,953	(184,835)	8,817,006	(593,302)

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)  
For The Half Year Ended June 30, 2023



Note	Unaudited Half Year ended June 30, 2023	Unaudited Half Year ended June 30, 2022
	-----Rupees in '000-----	

**25. MARK-UP/RETURN/INTEREST EARNED**

On:		
Loans and advances	62,616,339	31,870,397
Investments	92,482,338	59,143,500
Lendings to financial institutions	4,161,590	1,065,931
Balances with banks	972,670	235,763
	160,232,937	92,315,591

**26. MARK-UP/RETURN/INTEREST EXPENSED**

On:		
Deposits	64,157,529	41,641,502
Borrowings	19,371,026	6,286,320
Cost of foreign currency swaps against foreign currency deposits / borrowings	1,771,333	1,441,122
Finance charges on lease liability against right-of-use assets	715,656	697,099
	86,015,544	50,066,043

**27. FEE & COMMISSION INCOME**

Branch banking customer fees	1,675,706	1,550,087
Consumer finance related fees	367,374	305,845
Card related fees (debit and credit cards)	2,732,930	1,874,073
Credit related fees	343,161	149,623
Investment banking fee	58,963	73,384
Commission on trade	1,404,351	818,535
Commission on guarantees	413,196	308,900
Commission on cash management	464,563	417,534
Commission on remittances including home remittances	822,555	611,882
Commission on bancassurance	561,184	579,416
Rent on lockers	122,696	122,686
Commission on utility bills	37,297	40,412
Commission on investments services	715,564	384,032
Others	183,087	137,125
	9,902,627	7,373,534

**28. GAIN / (LOSS) ON SECURITIES**

Realised	28.1	84,751	421,454
Unrealised - Held For Trading	10.1	(11,936)	(43,457)
		72,815	377,997

**28.1** Realised gain on:

Federal Government Securities	68,753	89,778
Shares	15,418	331,676
Others	580	-
	84,751	421,454

**29. OTHER INCOME**

Rent on property	64,021	41,933
Gain on conversion of Ijarah agreements	8,809	7,224
Gain on termination of lease liability against right of use assets	37,720	42,593
Gain on sale of fixed assets - net	9,619	31,720
Gain on sale of non-banking assets acquired in satisfaction of claims - net	776	-
	120,945	123,470



	Unaudited Half Year ended June 30, 2023	Unaudited Half Year ended June 30, 2022
-----Rupees in '000-----		
<b>30. OPERATING EXPENSES</b>		
<b>Total compensation expense</b>	13,019,997	10,753,987
<b>Property expense</b>		
Rent and taxes	162,100	101,684
Insurance	31,881	24,715
Utilities cost	979,655	779,727
Fuel expense generators	667,166	346,163
Security (including guards)	1,060,350	952,856
Repair and maintenance (including janitorial charges)	571,572	496,465
Depreciation on right-of-use assets	961,951	884,288
Depreciation	593,714	502,679
	5,028,389	4,088,577
<b>Information technology expenses</b>		
Software maintenance	985,132	718,469
Hardware maintenance	194,470	189,184
Depreciation	425,210	355,420
Amortization	271,318	303,396
Network charges	357,189	355,576
Insurance	3,460	2,235
	2,236,779	1,924,280
<b>Other operating expenses</b>		
Directors' fees and allowances	18,620	18,720
Remuneration to shariah board members	7,784	6,340
Legal and professional charges	218,353	202,123
Outsourced services costs	505,391	469,889
Travelling and conveyance	252,556	223,527
NIFT clearing charges	123,064	100,264
Depreciation	564,494	497,338
Depreciation on non-banking assets acquired in satisfaction of claims	11,939	11,973
Training and development	51,184	35,636
Postage and courier charges	141,487	150,059
Communication	586,162	207,486
Stationery and printing	587,649	401,241
Marketing, advertisement & publicity	366,622	499,942
Donations	10,000	-
Auditors' remuneration	39,780	34,837
Cash transportation charges	534,505	456,543
Repair and maintenance	334,195	256,729
Subscription	30,650	24,572
Entertainment	209,846	158,730
Remittance charges	131,466	113,480
Brokerage expenses	47,680	38,878
Card related expenses	1,282,682	576,516
CNIC verification charges	173,814	184,676
Insurance	1,044,695	964,615
Others	243,505	181,317
	7,518,123	5,815,431
	27,803,288	22,582,275
<b>31. OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	27,060	5,748
VAT & National Building tax & Crop Insurance Levy	192,395	58,920
Education cess	46,614	-
	266,069	64,668



	Note	Unaudited Half Year ended June 30, 2023	Unaudited Half Year ended June 30, 2022
-----Rupees in '000-----			
<b>32. PROVISIONS / (REVERSALS) &amp; WRITE OFFS - NET</b>			
Provision / (reversal) against balance with Banks		10,470	(633)
Provision for diminution in value of investments	10.2.1	1,824,672	654,503
Provision / (reversal) against loans and advances	11.3	438,232	(1,553,037)
Provision / (reversal) against off balance sheet items		8,420	(4)
Provision against other assets	15.1.1	33,666	80,125
Bad debts written off directly		-	676
Recovery of written off / charged off bad debts		(84,945)	(102,800)
		2,230,515	(921,170)
<b>33. TAXATION</b>			
Current		28,848,138	17,213,084
Prior years		(1,940)	3,470,506
Deferred		740,225	1,213,152
Share of tax of associates		208,763	164,941
		29,795,186	22,061,683
<b>34. BASIC AND DILUTED EARNINGS PER SHARE</b>			
-----Rupees in '000-----			
Profit after tax attributable to Equity Shareholders of the Bank		28,598,730	11,369,337
-----Number-----			
Weighted average number of ordinary shares		1,185,060,006	1,185,060,006
-----Rupees-----			
Basic and diluted earnings per share		24.13	9.59

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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. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy.

In the opinion of the management, the fair value of the financial assets and financial liabilities other than those carried at fair value and disclosed in note 35.1 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 Treasury Bills and fixed rate Pakistan Investments Bonds (PIBs) are determined using the PKRV rates. Floating rate PIBs are revalued using PKFRV 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 mark-to-market currency 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.
Unlisted Shares	Breakup value determined on the basis of NAV of the company using the latest available audited financial statements.
Mutual Funds	Units of mutual funds are valued using the Net Asset Value (NAV) announced by the Mutual Funds Association of Pakistan (MUFAP).
Operating fixed assets and Non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets.

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

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

Unaudited June 30, 2023					
	Carrying / Notional 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	1,123,278,140	-	1,123,278,140	-	1,123,278,140
Shares	17,130,485	17,130,485	-	-	17,130,485
Non-Government Debt Securities	3,720,387	-	3,720,387	-	3,720,387
Foreign Securities	21,800,947	-	21,800,947	-	21,800,947
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares and associates)	57,178,490	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	63,565,874	-	63,565,874	-	63,565,874
Non-banking assets	2,706,682	-	2,706,682	-	2,706,682
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	100,015,540	-	2,571,823	-	2,571,823
Forward sale of foreign exchange	74,592,900	-	2,167,081	-	2,167,081
Derivatives purchase	689,127	-	197,441	-	197,441
Derivatives sale	689,127	-	197,343	-	197,343

Audited December 31, 2022					
	Carrying / Notional 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	968,419,493	-	968,419,493	-	968,419,493
Shares	17,651,677	16,482,650	1,169,027	-	17,651,677
Non-Government Debt Securities	3,729,622	-	3,729,622	-	3,729,622
Foreign Securities	4,112,387	-	4,112,387	-	4,112,387
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares and associates)	46,975,880	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	66,744,753	-	66,744,753	-	66,744,753
Non-banking assets	2,804,844	-	2,804,844	-	2,804,844
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	80,282,447	-	5,036,921	-	5,036,921
Forward sale of foreign exchange	58,597,874	-	2,971,339	-	2,971,339
Derivatives purchase	9,120,959	-	778,441	-	778,441
Derivatives sale	9,120,959	-	778,137	-	778,137



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

Unaudited Half year ended June 30, 2023											
	Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	Islamic Banking	Asset Management	Others	Sub-total	Eliminations	Total
IN RUPEES IN LAKHS											
Rupees in '000											
<b>Profit &amp; Loss</b>											
Net mark-up/premium/profit	(43,939,273)	2,383,553	35,794,889	69,378,133	3,391,497	7,073,412	(4,288)	139,400	74,217,393	-	74,217,393
Inter segment revenue - net	107,763,165	(1,405,600)	(29,412,026)	(84,570,328)	(172,247)	-	-	7,797,036	-	-	-
Non mark-up / return / interest income	5,390,087	1,301,957	3,710,990	2,154,371	1,093,655	705,969	788,234	621,885	15,727,148	-	15,727,148
Total Income	69,173,979	2,279,910	10,093,863	(13,037,764)	4,312,905	7,779,381	783,946	8,556,321	89,944,541	-	89,944,541
Segment direct expenses	15,978,802	1,147,198	519,098	313,298	1,249,183	3,452,070	390,474	6,194,303	29,244,426	-	29,244,426
Inter segment expense allocation	-	-	-	-	-	-	-	-	-	-	-
Total expenses	15,978,802	1,147,198	519,098	313,298	1,249,183	3,452,070	390,474	6,194,303	29,244,426	-	29,244,426
Provisions	501,212	36,029	43,984	1,304,165	673,955	318,135	-	(646,965)	2,230,515	-	2,230,515
Profit before tax	52,693,965	1,096,683	9,530,781	(14,655,227)	2,389,767	4,009,176	393,472	3,010,983	58,469,600	-	58,469,600
<b>Balance Sheet</b>											
Cash & Bank balances	71,999,196	811,856	266,968	109,016,592	44,854,991	24,429,489	65,479	2,528,839	253,973,410	-	253,973,410
Investments	-	-	10,717,560	1,092,816,481	27,700,539	85,602,864	1,353,267	4,917,738	1,223,103,449	-	1,223,108,449
Net inter segment lending	1,219,262,055	-	-	-	-	-	-	212,296,826	1,431,558,881	(1,431,558,881)	-
Lendings to financial institutions	-	-	-	23,528,164	43,820,830	9,450,000	-	-	76,798,994	-	76,798,994
Advances - performing	99,302,601	39,110,725	427,990,268	-	17,928,900	91,745,657	5,700	3,163,329	679,247,180	-	679,247,180
- non performing	113,463	89,101	1,656,630	-	9,155,863	1,373,169	-	763,822	13,158,048	-	13,158,048
Others	57,820,876	4,764,827	57,632,139	34,267,671	6,357,059	18,337,119	1,189,791	72,024,866	252,394,348	-	252,394,348
<b>Total Assets</b>	1,448,498,191	44,776,509	498,263,565	1,259,628,908	149,818,182	230,944,298	2,614,237	295,695,420	3,930,239,310	(1,431,558,881)	2,498,680,429
Borrowings	10,428,654	14,220	101,609,730	127,990,380	4,398,845	13,164,245	-	2,203,049	259,809,123	-	259,809,123
Deposits & other accounts	1,418,052,215	24,880,211	110,525,528	-	116,624,369	185,009,822	-	8,032	1,855,100,177	-	1,855,100,177
Net inter segment borrowing	-	15,325,705	245,049,709	1,127,960,954	23,205,120	18,276,684	1,740,709	-	1,431,558,881	(1,431,558,881)	-
Others	20,017,322	4,556,373	41,078,598	3,677,574	5,589,848	14,493,547	873,528	84,022,334	174,309,124	-	174,309,124
<b>Total liabilities</b>	1,448,498,191	44,776,509	498,263,565	1,259,628,908	149,818,182	230,944,298	2,614,237	295,695,420	3,720,777,305	(1,431,558,881)	2,289,218,424
Equity	-	-	-	-	-	-	-	209,462,005	209,462,005	-	209,462,005
<b>Total Equity &amp; liabilities</b>	1,448,498,191	44,776,509	498,263,565	1,259,628,908	149,818,182	230,944,298	2,614,237	295,695,420	3,930,239,310	(1,431,558,881)	2,498,680,429
<b>Contingencies &amp; Commitments</b>	80,425,806	-	493,182,151	161,708,595	25,165,166	55,435,210	-	31,080,722	846,997,650	-	846,997,650

Unaudited Half year ended June 30, 2022

[illegible]

**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 Group level and are not allocated to operating segments.

## 37 RELATED PARTY TRANSACTIONS

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

The Group's enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements are as follows:

	Unaudited June 30, 2023				Audited December 31, 2022			
	Directors	Key Management Personnel	Associates	Other Related Parties	Directors	Key Management Personnel	Associates	Other Related Parties
(Rupees in '000)								
<b>Investments</b>								
Opening balance	-	-	6,507,975	249,253	-	-	5,283,282	254,253
Equity method adjustments	-	-	195,564	-	-	-	1,367,817	-
Investment / (redemptions) during the year	-	-	162,602	-	-	-	(143,124)	(5,000)
Closing balance	-	-	6,866,141	249,253	-	-	6,507,975	249,253
<b>Provision for diminution in value of investments</b>								
-	-	-	-	-	-	-	-	-
<b>Advances</b>								
Opening balance	1,543	281,237	-	4,445,292	109	147,331	1,016,449	3,084,862
Addition / exchange adjustment during the period / year	1,982	47,552	-	792,832	23,615	93,306	-	14,754,662
Repaid / exchange adjustment during the period / year	(2,757)	(60,807)	-	(3,865,990)	(22,181)	(69,178)	(1,016,449)	(13,394,232)
Transfer in / (out)	-	(4,457)	-	-	-	109,778	-	-
Closing balance	768	263,525	-	1,372,134	1,543	281,237	-	4,445,292
Provision held against advances	-	-	-	-	-	-	-	-
<b>Fixed Assets</b>								
Purchase of fixed assets	-	-	2,517	29,145	-	-	6,157	62,667
<b>Other Assets</b>								
Markup receivable	-	3,736	-	27,212	-	3,208	-	64,384
Advances, deposits, advance rent and other prepayments	-	-	318,415	25,670	-	-	288,433	25,594
Receivable from Pension Fund	-	-	-	2,938,830	-	-	-	2,768,142
-	-	3,736	318,415	2,991,712	-	3,208	288,433	2,856,120
<b>Borrowings</b>								
Opening balance	-	-	-	-	-	-	-	103,120
Borrowings / exchange adjustment during the period / year	-	-	-	-	-	-	-	-
Settled during the period / year	-	-	-	-	-	-	-	(103,120)
Closing balance	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>								
Opening balance	193,547	184,112	5,623,897	5,594,903	700,547	196,067	3,827,846	8,285,021
Received during the period / year	901,246	884,229	49,407,074	33,350,340	7,966,971	1,508,191	59,131,008	108,663,854
Withdrawn during the period / year	(1,011,028)	(868,688)	(47,773,740)	(29,610,396)	(8,473,340)	(1,534,378)	(57,334,957)	(112,340,190)
Transfer in / (out) - net	-	374	-	966	(631)	14,232	-	(13,762)
Closing balance	83,765	200,027	7,257,231	9,335,813	193,547	184,112	5,623,897	5,594,903

	Unaudited June 30, 2023				Unaudited June 30, 2022			
	Directors	Key Management Personnel	Associates	Other Related Parties	Directors	Key Management Personnel	Associates	Other Related Parties
(Rupees in '000)								
<b>Income</b>								
Markup / return / interest earned	24	11,017	-	53,272	49	8,932	26,803	129,712
Fee and commission income	-	-	377,761	6,638	-	-	401,025	2,891
Dividend income	-	-	114,704	50,169	-	-	105,000	33,750
Loss on forward foreign exchange contracts matured	-	-	-	-	-	-	-	(360)
Net gain / (loss) on sale of securities	-	(23)	623	868	-	23	156	37,201
Gain on sale of fixed assets	-	136	-	-	-	71	-	626
Rent income	-	-	5,164	3,288	-	-	6,820	1,920
<b>Expense</b>								
Markup / return / interest expensed	7,202	4,782	273,263	380,591	21,171	1,736	105,015	771,238
<b>Other Operating expenses</b>								
Clearing expenses paid to NIFT	-	-	-	107,078	-	-	-	89,058
Contribution to provident fund	-	-	-	273,445	-	-	-	240,906
Rent expenses	-	-	37,966	27,139	-	-	34,626	25,961
Cash sorting expenses	-	-	-	67,736	-	-	-	56,866
Stationery expenses	-	-	-	275,274	-	-	-	162,696
Security guards expenses	-	-	-	54,432	-	-	-	146,620
Remuneration to key executives and non-executive directors fee	103,751	563,791	-	-	85,864	404,677	-	-
Outsourcing service expenses	-	-	72,511	-	-	-	62,065	-
E-dividend processing fee and CDC charges	-	-	-	2,769	-	-	-	3,121
Travelling Expenses	-	-	-	11,763	-	-	-	25,699
Hotel stay expenses	-	-	-	3,164	-	-	-	3,963
Repair and maintenance charges	-	-	-	2,160	-	-	-	1,206
Advertisement Expenses	-	-	-	-	-	-	-	3,132
Utility expenses	-	-	-	366	-	-	-	4,556
Miscellaneous expenses and payments	-	-	-	979	-	-	-	-
Donation Expenses	-	-	-	5,000	-	-	-	-
Insurance premium-net of refund	-	-	324,575	-	-	-	423,806	-
Insurance claim settled	-	-	12,841	-	-	-	24,273	-
<b>Other Transactions</b>								
Proceeds from sale of fixed assets	-	136	-	-	-	6,329	-	1,417
Purchase of foreign currency	-	-	-	-	-	-	-	436,000
Sale of government securities	12,964	100,283	12,036,173	17,077,946	-	83,990	6,988,691	19,831,120
Purchase of government securities	4,995	98,970	3,969,079	32,596,383	-	8,803	9,987,678	13,995,326
Forward exchange contracts matured during the period	-	-	-	399,000	-	-	-	961,076
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, 2023	Audited December 31, 2022
	-----Rupees in '000-----	
<b>38 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>38.1 Capital Adequacy</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	11,850,600	11,850,600
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	173,651,299	158,467,590
Eligible Additional Tier 1 (ADT 1) Capital	-	-
<b>Total Eligible Tier 1 Capital</b>	173,651,299	158,467,590
Eligible Tier 2 Capital	26,555,861	26,444,431
<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	200,207,160	184,912,021
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	798,298,208	763,368,141
Market Risk	81,689,540	75,115,355
Operational Risk	190,227,624	190,227,624
<b>Total</b>	1,070,215,372	1,028,711,120
<b>Common Equity Tier 1 Capital Adequacy ratio</b>	16.23%	15.40%
<b>Tier 1 Capital Adequacy Ratio</b>	16.23%	15.40%
<b>Total Capital Adequacy Ratio</b>	18.71%	17.98%
<b>38.2 Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	173,651,299	158,467,590
Total Exposures	3,201,268,965	2,846,612,866
<b>Leverage Ratio</b>	5.42%	5.57%
<b>38.3 Liquidity Requirements</b>		
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	1,072,653,019	803,179,881
Total Net Cash Outflow	470,309,268	404,125,964
<b>Liquidity Coverage Ratio</b>	228.07%	198.74%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	1,567,889,451	1,375,022,084
Total Required Stable Funding	1,069,548,929	987,602,872
<b>Net Stable Funding Ratio</b>	146.59%	139.23%



**39 EVENTS AFTER THE REPORTING DATE**

The Board of Directors in its meeting held on August 02, 2023 has announced an interim cash dividend in respect of half year ended June 30, 2023 of Rs 7.00 per share (June 30, 2022: Rs. 4.00 per share). These consolidated condensed interim financial statements for the half year ended June 30, 2023 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

**40 GENERAL**

Comparative information has been rearranged wherever necessary for better presentation of the financial statements. There have been no significant reclassifications during the period.

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

**41 DATE OF AUTHORIZATION FOR ISSUE**

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on August 02, 2023.

Shoaib Mumtaz  
President / CEO

Hammad Khalid  
Chief Financial Officer

Mian Umer Mansha  
Director

Shahzad Hussain  
Director

Muhammad Ali Zeb  
Director