



Bank for Life

THIRD QUARTERLY REPORT

SEPTEMBER 30, 2020



Our Vision

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

Our Mission

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

Our Values

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

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

Corporate Profile

Board of Directors

Mian Mohammad Mansha Mr. S.M. Muneer 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. Masood Ahmed Puri Mr. Shahzad Hussain Mr. Shariffuddin bin Khalid Mr. Imran Maqbool	Chairman Vice-Chairman Director Director Director Director Director Director Director Director Director Director Director President & CEO
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Audit Committee

Mr. Shahzad Hussain Mian Umer Mansha Mr. Muhammad Ali Zeb Mr. Shariffuddin bin Khalid	Chairman Member Member Member
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Chief Financial Officer:	Mr. Hammad Khalid
Company Secretary:	Mr. Fida Ali Mirza
Auditors:	M/s. KPMG Taseer Hadi & Co. Chartered Accountants
Legal Advisors:	M/s. Khalid Anwer & Co. Advocates & Legal Consultants
Registered /Principal Office:	MCB House, 15-Main Gulberg, Jail Road, Lahore Pakistan
Registrar's and Share Registration Office(s):	Head Office: M/s. THK Associates (Pvt.) Limited 1 st Floor, 40-C, Block 6, P.E.C.H.S., Karachi Pakistan Branch Office: M/s. THK Associates (Pvt.) Limited Siddique Trade Centre, Office No. PL-29, PL Floor, 72 Main Boulevard Gulberg -2, Lahore, Pakistan.



On behalf of the Board of Directors, we are pleased to place before you, the unconsolidated condensed interim financial statements of MCB Bank Limited (MCB) for the nine months period ended September 30, 2020.

Introduction

During the nine months ended September 30, 2020, MCB achieved significant financial growth by focusing on its operational resilience and continuity planning to successfully navigate through the downside risks posed to operating and economic outlook by the ongoing Covid-19 outbreak while concurrently playing a central role in supporting Governments' key pandemic responses for credit extension and provision of essential banking services to the general public.

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

Performance Review

Profit Before Taxation

Taxation

Profit After Taxation

Un-appropriated Profit Brought Forward

Re-measurement loss on defined benefit obligations - 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

Transfer in respect of incremental depreciation from surplus on

revaluation of fixed assets to unappropriated profit - net of tax

Profit Available for Appropriation

Appropriations:

Statutory Reserve

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

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

Total Appropriations

Un-appropriated Profit Carried Forward

With strong build up in core earnings, MCB's Profit After Tax (PAT) for the nine months period ended September 30, 2020, posted an year on year growth of 41% to reach Rs. 22.94 billion; translating into an Earning Per Share (EPS) of Rs. 19.35 against an EPS of Rs. 13.74 posted in the corresponding period of 2019.

Sizeable growth in current deposits, timely shift in maturity profiling of investments and favorable re-pricing lag enabled the Bank to increase its net interest income by 29% to Rs. 55.35 billion.

Fee income for 9M'20 was reported less by 4% over the same period last year, primarily due to lower transaction volumes and business activities induced by the lockdowns; however, with their lifting, fee income is normalizing, growing by 25% over the previous quarter in 3Q'20. Amidst evolving yield curve expectations, proactive duration management of the investments portfolio resulted in capital gains of Rs. 2.80 billion realized during the period under review. Hence, the total non-markup income posted a robust growth of 18% to reach Rs. 13.56 billion.

On the operating expenses side (excluding pension fund reversal), despite sustained inflationary pressures, expansion in branch outreach and continued investment in technological infrastructure together with regular performance and merit adjustments for the Human Capital, the Bank's strategic focus of balancing short term tactical cost reductions with long term cost initiatives has assisted in containing growth in administrative expenses; in turn registering a decline of Rs. 292 million during the period under review.

In anticipation that customers affected by the pandemic might require provisioning once SBP's relaxations and waivers expire in 2021, the management has exercised prudence and booked a General Provision of Rs. 5.30 billion during the period under review, hence providing insulation and loss absorption capacity against emerging risks to asset quality deterioration. With respect to equity investments, ensuing volatility in the stock market amidst rising systematic risks and realization of other idiosyncratic factors led to the recognition of an impairment charge of Rs. 1.74 billion.

Rs. in Million

Profit Before Taxation	38,354
Taxation	15,419
Profit After Taxation	22,935
Un-appropriated Profit Brought Forward	55,777
Re-measurement loss on defined benefit obligations - net of tax	(1,739)
Surplus realized on disposal of revalued fixed assets - net of tax	23
Surplus realized on disposal of non-banking assets - net of tax	5
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	67
Profit Available for Appropriation	54,133
Appropriations:	77,068
Statutory Reserve	2,294
Final Cash Dividend at Rs. 5.0 per share - December 2019	5,925
Interim Cash dividend at Rs. 5.0 per share - March 2020	5,925
Total Appropriations	14,144
Un-appropriated Profit Carried Forward	62,924



On the financial position side, the total asset base of the Bank on an unconsolidated basis was reported at Rs. 1.67 trillion depicting an increase of 11% over December 2019. Analysis of the asset mix highlights that net investments increased by Rs. 216 billion (29%) whereas due to subdued domestic demand gross advances decreased by Rs. 46 billion (-9%) over December 2019.

The Non-performing loan (NPLs) base of the Bank recorded an increase of Rs. 784 million and was reported at Rs. 50.21 billion. The increase was primarily on account of currency devaluation impact of foreign currency denominated NPLs with no significant accretion in the number of cases. The Bank has not taken FSV benefit in calculation of specific provision and has increased its un-encumbered general provision reserve to Rs. 5.87 billion. The coverage and infection ratios of the Bank were reported at 96.89% and 10.17% respectively.

On the liabilities side, the deposit base of the Bank registered an unprecedented increase of Rs. 130.11 billion (+11%) over December 2019, with over 43% growth contributed by current accounts, improving the current account mix to 37.7% and CASA ratio to 93.2%.

Return on Assets and Return on Equity improved to 1.92% and 20.35% respectively, whereas book value per share was reported at Rs. 131.08.

While complying with the regulatory capital requirements, the Bank's total Capital Adequacy Ratio (CAR) is 21.84% against the requirement of 11.50% (including capital conservation buffer of 1.50% as reduced under the BPRD Circular Letter No. 12 of 2020). Quality of the capital is evident from Bank's Common Equity Tier-1 (CET1) to total risk weighted assets ratio which comes to 17.20% against the requirement of 6.00%. Bank's capitalization also resulted in a Leverage Ratio of 7.11% which is well above the regulatory limit of 3.0%. The Bank reported Liquidity Coverage Ratio (LCR) of 235.06% and Net Stable Funding Ratio (NSFR) of 187.78% against requirement of 100%.

Dividend

Pursuant to the SBP's instructions through its letter No BPRD/ BA & CPD/006315 - 2/20, dated April 22, 2020; the Board of Directors, in its meeting held on October 27, 2020 has not declared any interim cash dividend for the quarter ended September 30, 2020.

Ratings

The Bank enjoys highest local credit ratings of AAA / A1+ categories for long term and short term respectively, based on PACRA notification dated June 26, 2020.

Economy Review

Pakistan's economy was battered by the Covid-19 Pandemic in the second quarter of 2020 which led to the deterioration of various macroeconomic variables. However, the economy started recovering marginally starting from the third quarter of 2020 as the government lifted the lockdown after the Covid-19 cases started coming down in the country.

On the external front, Pakistan reported a current account surplus of USD 805 million in the first two months of FY21 as compared to a deficit of USD 1.2 billion reported in the same period last year. The main reason for this positive development was the unexpected rise in remittances which grew cumulatively by 31% in Jul-20 and Aug-20 on a year-on-year basis. However, exports and imports were still below their pre-pandemic levels and reported a decline of 16% and 13% (y-o-y) respectively.

Due to the improvement in the current account balance and the foreign inflows received by the State Bank of Pakistan in June, the pressure on the foreign exchange reserves of the country decreased in the third quarter of 2020. Another development that lent support to the economy under these unprecedented times was the debt relief initiative taken by the G-20 countries, which led to the deferment of some of the bi-lateral loans, further reducing the pressure on the external account.

As a result of the improving situation on the external front, PKR appreciated during September 2020 after touching an all-time high of 168.4353 in August. The Rupee started the quarter against the dollar at PKR 168.0506 and after appreciating by 1.4% during the three month period, it closed at PKR 165.7021. On a year-to-date basis however, PKR reported a depreciation of 7.01% against the dollar.

Meanwhile, Inflation picked up slightly during the third quarter of 2020 after touching a low of 8.2% (for the year) in May, 2020. The uptick in inflation was observed as a result of increase in aggregate demand after the lifting of lockdown and a sharp rise in food prices. However, average inflation for the quarter was 8.84% as compared to 10.08% during the same period last year. To stimulate the growth in the economy in the after-math of the pandemic, the State Bank of Pakistan kept the policy rate unchanged at 7%. On a year-to-date basis, SBP decreased

the policy rate by a cumulative 625 bps.

As regards to Pakistani stock markets, the KSE-100 showed largely positive performance during Jul-Sept, 2020 as different businesses across the economy resumed their operations. The index started the quarter at 34,421 and closed at 40,571, showing improvement of 17%. However, the index was still below the starting level of the year.

On the fiscal side, the finance ministry released the official numbers for FY20 which showed that the budget deficit clocked in at 8.1% of GDP against the initial projection of 9.1%. However, it was still above the budgeted estimate of 7.1% as the revenue collection declined during the second quarter of 2020 amid Covid-19 lockdown. For FY21, the ministry has set a net FBR tax revenue target of PKR 4.9 trillion (against the collection PKR of 3.9 trillion in FY20) and projected a fiscal deficit of 7%.

Future Outlook

Pakistan's economy showed improvement during the third quarter of 2020 as the government succeeded in controlling the spread of Coronavirus in the country and the businesses resumed operations after the lifting of lockdown. However, the threat of the second wave of Covid-19 remains and the government will have to remain vigilant to avoid any unintended circumstances in the future. The global economy has already entered the second wave of the Coronavirus and amid the restrictions imposed across Europe and UK to control the spread of the virus, the challenge for the government remains to bring its exports to the pre-pandemic level. Moreover, the Government of Pakistan and IMF are still at loggerheads as the two parties have not reached a consensus. Moving forward, it's imperative that the government finds a common ground with IMF to reinstate the stalled program to avoid any further delays in the release of foreign inflows. Any unintended outcome of negotiations with IMF can lead to the detriment of the economy.

Appreciation and Acknowledgements

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

For and on behalf of the Board of Directors,

Imran Maqbool

Imran Maqbool
President & CEO,
MCB Bank Limited
October 27, 2020

S. M. Muneer

S. M. Muneer
Director
MCB Bank Limited

دریں اثناء، افرط زر میں مئی 2020 میں سالانہ بنیاد پر 8.2 فیصد کی کم ترین سطح کو چھونے کے بعد سال 2020 تیسری سہ ماہی میں قدرے اضافہ ہوا۔ لاک ڈاؤن کے خاتمے سے مجموعی طلب میں اضافے اور اشیاء خورد و نوش کی قیمتوں میں تیز بڑھوتی کے نتیجے میں افرط زر میں یہ اضافہ دیکھا گیا۔ تاہم اس سہ ماہی میں اوسط افرط زر گزشتہ سال کے مماثلہ عرصہ کی 10.08 فیصد کی سطح کی نسبت 8.84 فیصد پر رہا۔ اس عالمگیر وباء کے مہیب اثرات اور عواقب کے تناظر میں معیشت کی نمونہ کو رکھنے کے لیے اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ کو 7 فیصد کی شرح پر برقرار رکھا ہے۔ سال سے اب تک کی تاریخ کی بنیاد پر اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں مجموعی طور پر 625 بی بی ایس کی کمی کی ہے۔

پاکستانی اسٹاک ایکسچینج مارکیٹوں کے حوالہ سے معیشت میں موجود مختلف کاروباری سرگرمیوں کی بحالی کے ساتھ کے ایس ای (KSE) - 100 نے سال 2020 کے جولائی تا ستمبر کے دوران مجموعی طور پر مثبت کارکردگی کا مظاہرہ کیا ہے۔ انڈیکس نے سہ ماہی کا آغاز 34,421 اور اختتام 40,571 پوائنٹس پر کیا اور یوں 17 فیصد کی نمو ظاہر کی۔ تاہم انڈیکس اب بھی سال کے شروع کی سطح سے نیچے ہے۔

مالیاتی حوالے سے، وزارت خزانہ نے مالی سال 2020ء کے سرکاری اعداد و شمار کی اشاعت کی ہے جس کے تحت بجٹ کا خسارہ اپنے ابتدائی تخمینے کی 9.1 فیصد کی شرح کے مقابلہ میں 8.1 فیصد پر درج ہوا تاہم یہ اپنے بجٹ کے 7.1 فیصد کے اندازے سے بھی زیادہ ہے کیونکہ مالی سال 2020ء کی دوسری سہ ماہی میں کووڈ-19 کے متعلقہ لاک ڈاؤن کی وجہ سے آمدنی کی وصولیوں میں کمی واقع ہوئی۔ سال 2021ء کے لیے وزارت نے ایف بی آر کی ٹیکس کی خالص آمدنی کا ہدف (مالی سال 2020ء میں وصول شدہ 3.9 ٹریلین روپے کے مقابلہ پر) 4.9 ٹریلین روپے تجویز کیا ہے۔ اور مالی خسارے کا تخمینہ 7 فیصد پر رکھا ہے۔

مستقبل کی پیش بینی

پاکستان کی معیشت نے سال 2020ء کی تیسری سہ ماہی کے دوران، حکومت کی جانب سے ملک میں کرونا وائرس کے پھیلاؤ کو روکنے میں کامیابی اور لاک ڈاؤن کے خاتمے کے بعد، کاروباری سرگرمیوں کی بحالی کی بدولت بہتری کے آثار ظاہر کرنا شروع کئے ہیں۔ تاہم کووڈ - 19 کی دوسری لہر کے خدشات کے پیش نظر حکومت کو مستقبل میں کسی بھی ناگہانی صورتحال سے نمٹنے کے لیے مستعد رہنے کی ضرورت ہے۔ عالمی معیشت پہلے ہی کرونا وائرس کی دوسری لہر سے دوچار ہے اور یورپ اور یو کے میں وائرس کے پھیلاؤ کو قابو کرنے کے لیے نافذ کی گئی پابندیوں کے باعث حکومت کے لیے اپنی برآمدات کو اس عالمگیر وباء سے پہلے کے دور میں واپس لانے کے لیے چیلنجز برقرار ہیں۔ مزید برآں، حکومت پاکستان اور آئی ایم ایف اب بھی اپنے موقف پر ڈٹے ہوئے ہیں اور کسی اتفاق پر پہنچنے میں قاصر ہیں۔ مستقبل میں حکومت کو آئی ایم ایف کے ساتھ کسی مشترکہ جواز کو ڈھونڈنا ہوگا تاکہ متحد پروگرام کو بحال کیا جاسکے اور غیر ملکی ترسیلات کے اجراء میں مزید تاخیر سے بچا جاسکے۔ آئی ایم ایف کے ساتھ مذاکرات میں کوئی غیر متوقع صورتحال معیشت کے لیے نقصان دہ ثابت ہو سکتی ہے۔

تحسین و تشکر

ایم سی بی بینک کے بورڈ آف ڈائریکٹرز، حکومت پاکستان، اسٹیٹ بینک آف پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر 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

عمران مقبول
پریذیڈنٹ اور سی ای او
ایم سی بی بینک لمیٹڈ
27 اکتوبر 2020ء

ایس۔ ایم۔ منیر
ڈائریکٹر
ایم سی بی بینک لمیٹڈ

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

اہم نکتہ

30 ستمبر 2020ء کو اختتام پذیر نو ماہ کی مدت میں، حکومت کے اس عالمگیر وباء کے رد عمل میں قرضوں میں وسعت اور عوام الناس کے لیے بینکنگ کی ناگزیر خدمات کی فراہمی میں اپنے مسلسل اور مرکزی کردار کو نبھاتے ہوئے، کووڈ-19 کے جاری پھیلاؤ میں تیزی کا شکار کاروباری اور معاشی پیش بینی کا اپنی کارکردگی کی طاقت اور کاروبار جاری رکھنے کی حکمت عملی پر خصوصی توجہ کے ذریعے ایم سی بی نے نمایاں مالیاتی مواصلہ کیا۔

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

کارکردگی کا جائزہ

ملین روپے	
38,354	
15,419	
22,935	
55,777	
(1,739)	
23	
5	
67	
54,133	
77,068	
2,294	
5,925	
5,925	
14,144	
62,924	

منافع قبل از ٹیکس
ٹیکس

منافع بعد از ٹیکس

افتتاحی غیر تخصیص شدہ منافع

معینہ بینفٹ واجبات کی دوبارہ پیکائش سے نقصان

(خالص از ٹیکس)

ریویوڈ معینہ اثاثہ جات کی فروخت پر سربس (خالص از ٹیکس)

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

پائیدار اثاثوں کی از سر نو تخمینہ پر سربس سے اضافی فروسودگی

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

تخصیص کیلئے دستیاب منافع
تخصیص:

قانونی ریزرو

حتمی کیش ڈیوڈینڈ 5 روپے فی شیئر - برائے دسمبر 2019

عبوری کیش ڈیوڈینڈ 5 روپے فی شیئر - برائے مارچ 2020

کل تخصیص

اختتامی غیر تخصیص شدہ منافع

اپنی خالص آمدنی میں مضبوط حجم کے حصول کے ساتھ، ایم سی بی کے منافع بعد از ٹیکس میں 30 ستمبر 2020ء کو اختتام پذیر نو ماہ کی مدت کے دوران 41 فیصد کی سال بہ سال کی بنیاد پر ترقی ہوئی اور اس کا حجم 22.94 ملین روپے پر درج ہوا، اور جس سے فی حصص آمدنی سال 2019ء کے تقابلی عرصہ کی 13.74 روپے فی حصص کی سطح کی نسبت 19.35 روپے فی حصص پر رہی۔

کرنٹ ڈیپازٹس میں قابل قدر اضافے، سرمایہ کاری کے میچورٹی پروفاٹنگ میں بروقت تبدیلی اور قیمتوں کی نظر ثانی میں مفید تفاوت کی بدولت بینک کی خالص انٹرسٹ آمدنی، 29 فیصد کی نمو کے ساتھ 55.35 ملین روپے پر جا پہنچی۔

مالی سال 2020ء کے نو ماہ کے عرصہ میں فیس آمدنی گزشتہ سال کی مماثلہ مدت کے مقابلے میں 4 فیصد کم پر رپورٹ ہوئی۔ جس کی بنیادی وجوہات میں لاک ڈاؤن کے باعث لین و دین کی مقدار اور کاروباری سرگرمیوں میں کمی تھی۔ تاہم اس میں زمی کے ساتھ ہی فیس آمدنی اپنے معمول کی طرف آرہی ہے اور مالی سال 2020ء کی تیسری سہ ماہی سے 25 فیصد کی نمو کو ظاہر کر چکی ہے۔ آمدنی کے خط میں متوقع ارتقائی تناظر میں سرمایہ کاری کے پورٹ فولیو کی مدت کا پیش قدم اختتام کیا گیا۔ جس کے نتیجہ میں اس زیر تجزیہ مدت کے دوران 2.80 ملین روپے کا کیپیٹل گین حاصل کیا گیا۔ چنانچہ کل غیر مارک اپ آمدنی 18 فیصد کی توانا ہوئی کے ساتھ 13.56 ملین روپے تک پہنچ گئی۔

کاروباری اخراجات کی مدت میں (ماسوائے بینٹن فنڈ کی کوٹنی کے) افراط زر کے مسلسل دباؤ کے باوجود برانچوں کی توسیع میں اضافہ اور ٹیکنالوجی کے ڈھانچے میں جاری سرمایہ کاری اور اس کے ساتھ باقاعدہ کارکردگی اور افرادی سرمائے کے لیے میرٹ پر مبالغہ، اور بینک کی جانب سے قلیل مدت میں لاگت میں موقع کی مناسبت سے کمی اور طویل مدت لاگت کو محدود کرنے کی حکمت عملی پر ارتکاز نے اختتامی اخراجات میں اضافے کو محدود رکھے میں مدد فراہم کی، جس کے باعث اس مدت میں اس زیر تجزیہ عرصہ کے دوران 292 ملین روپے کی کمی رجسٹر کی گئی۔

اس موقع پر کہ سال 2021ء میں اسٹیٹ بینک آف پاکستان کی جانب سے سہولتوں اور چھوٹ کی معیاد کے خاتمے کے ساتھ اس عالمگیر وباء سے متاثرہ صارفین کے حوالے سے اخراجات (پروویژن) کے تعین کی ضرورت پڑ سکتی ہے، بینک کی انتظامیہ نے دانشمندی کا مظاہرہ کرتے ہوئے، اس زیر تجزیہ عرصہ میں 5.30 ملین روپے کے عبوی اخراجات (جنرل پروویژن) کا اندراج کیا ہے۔ چنانچہ، اس تعین سے بینک نے اپنے اثاثہ جات کے معیار میں تیزی کے ابھرتے خدشات کے تدارک کے لیے نقصان برداشت کرنے کی صلاحیت کو تحفظ فراہم کیا ہے۔ ایکویٹی سرمایہ کاری کے حوالہ سے، ابھرتے ہوئے منظم خدشات اور دیگر مخصوص عوامل کی تکمیل کے مابین گہری اسٹاک مارکیٹ کی حساسیت کے پیش نظر بینک نے 1.74 ملین روپے کے ایمپیرمنٹ (Impairment) کے اخراجات کا اندراج کیا ہے۔

مالیاتی پوزیشن کی مدت میں بینک کے کل اثاثہ جات ی اساس، غیر مجموعی بنیاد پر، دسمبر 2019 سے 11 فیصد کے اضافہ کے ساتھ 1.67 ٹریلین روپے پر ریکارڈ ہوئی۔ اثاثہ جات کی ترکیب کا جائزہ سے امر واضح ہوتا ہے کہ خالص سرمایہ کاری میں 216 ملین روپے (29%) کا اضافہ ہوا جبکہ کل قرضہ جات میں دسمبر 2019 کے مقابلہ میں 46 ملین روپے (9%) کی کمی درج ہوئی۔

بینک کے غیر فعال قرضہ جات 784 ملین روپے کے اضافہ کے ساتھ 50.21 ملین روپے پر رپورٹ کئے گئے۔ اس اضافہ کے بنیادی عوامل میں غیر ملکی کرنسی سے متعلقہ غیر فعال قرضوں پر پاکستانی روپے کی قدر میں کمی کے اثرات تھے جبکہ کھاتوں کی ہمدتوں میں کوئی قابل ذکر اضافہ نہیں دیکھا گیا۔ بینک نے مخصوص اخراجات (پروویژن) کا شمار کرتے ہوئے جبری فروخت (FSV) کے دستیاب فوائد کو شامل نہیں کیا اور اپنی بلا کفالت عبوی پروویژن کے ریزرو (unencumbered general provision) میں 5.87 ملین تک کا اضافہ کیا۔ بینک کی کوریج (Coverage) اور انفیکشن (Infection) کی شرح بالترتیب 96.89 فیصد اور 10.17 فیصد پر رپورٹ ہوئیں۔

واجبات کے حوالہ سے، بینک کے ڈیپازٹس کی اساس میں دسمبر 2019 کی نسبت 130.11 ملین روپے (11%) کے اضافہ کے ساتھ کرنٹ اکاؤنٹ میں 43 فیصد سے زائد کی نمو کا اندراج کرتے ہوئے کرنٹ اکاؤنٹ کی ترکیب میں 37.7 فیصد اور کا سا (CASA) کا تناسب 93.2 فیصد تک بہتر کیا۔

اثاثہ جات کی آمدنی اور سرمائے کی آمدنی کی شرح بہتر ہوتے ہوئے بالترتیب 1.92 فیصد اور 20.35 فیصد پر درج ہوئیں جبکہ بک ویلیو 131.08 روپے فی شیئر پر رپورٹ ہوئی۔ سرمائے کے ضوابط کی مطلوبات کی تعمیل کرتے ہوئے بینک کے کل سرمائے کی معقولیت (کیپیٹل ایڈیکوئیسی) 11.50 فیصد کی مطلوبہ شرح کی نسبت 21.84 فیصد پر رہی (جس میں 2020ء کے بی پی آرڈی (BPRD) سرکلر لیٹر نمبر 12 کے تحت سرمایہ کو تحفظ دینے کے لیے 1.50 فیصد کی تحلیل کی شرح شامل ہے)۔ سرمایہ کے اعلیٰ معیار کا اظہار بینک کی کامن ایکویٹی ٹائر - 1 Common Equity Tier (CET1) سے کل رسک ویٹڈ اسٹس (Risk Weighted Assets) کی شرح سے ہوتا جو کہ 6.00 فیصد کی مطلوبہ حد کے مقابلہ 17.20 فیصد کی شرح پر درج کی گئی۔ بینک کی کپیٹل سزیشن کے نتیجے میں یوریج (Leverage) کی شرح بھی 3.0 فیصد کی ضوابط کی حد سے نمایاں اضافہ کے ساتھ 7.11 فیصد پر جا پہنچی۔ بینک نے لیکویڈٹی کوریج ریشو (LCR - Liquidity Coverage Ratio) کو 235.06 فیصد اور نیٹ سٹیبل فنڈنگ ریشو (NSFR - Net Stable Funding Ratio) کو 100 فیصد کی مطلوبہ شرح کی نسبت 187.78 فیصد پر رپورٹ کیا۔

ڈیوڈینڈ

اسٹیٹ بینک آف پاکستان کی ہدایت بذریعہ لیٹر نمبر BPRD/ BAPCPD / 006315 - 2/20 مورخہ 22 اپریل 2020ء کے تحت بورڈ آف ڈائریکٹرز نے اپنے منعقدہ اجلاس بتاریخ 27 اکتوبر 2020ء میں 30 ستمبر 2020ء کو اختتام پذیر سہ ماہی کے لیے کسی بھی عبوری کیش ڈیوڈینڈ کا اعلان نہیں کیا۔

رینٹنگ

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

معاشی جائزہ

سال 2020ء کی دوسری سہ ماہی میں پاکستان کی معیشت کووڈ - 19 کی عالمگیر وباء سے بری طرح متاثر ہوئی جس کے باعث مختلف میکرو اکنامک اشاریوں میں تیزی کا رجحان دیکھا گیا۔ تاہم سال 2020ء کی تیسری سہ ماہی میں حکومت کی جانب سے ملک میں کووڈ - 19 کے کیڑے میں کمی آنے کے بعد لاک ڈاؤن میں نرمی کے ساتھ معیشت میں بتدریج بحالی کے آثار نمودار ہونا شروع ہو گئے۔

بیرونی محاذ پر پاکستان نے کرنٹ اکاؤنٹ میں گزشتہ سال کی تقابلی مدت کے 1.2 بلین امریکی ڈالر کے خسارے کی نسبت مالی سال 2021 کے پہلے دو ماہ میں 805 ملین امریکی ڈالر کے زائد احوال حجم کو رپورٹ کیا۔ اس مثبت پیش رفت کی بنیادی وجہ ترسیلات زر میں غیر معمولی اضافہ تھا جس میں جولائی 2020ء اور اگست 2020ء میں مجموعی طور پر 31 فیصد کا، سال بہ سال کی بنیاد پر، اضافہ دیکھا گیا۔ تاہم برآمدات اور درآمدات اپنے اس عالمگیر وباء کے پہلے کی مدت کے رجحان سے کم رہیں اور ان میں بالترتیب 16 فیصد اور 13 فیصد کی، سال بہ سال کی بنیاد پر، کمی درج کی گئی۔

کرنٹ اکاؤنٹ کے بیلنس اور جن میں اسٹیٹ بینک آف پاکستان کی جانب سے وصول کی گئی غیر ملکی ترسیلات میں بہتری کی وجہ سے سال 2020ء کی تیسری سہ ماہی میں ملک کے غیر ملکی زرمبادلہ کے ذخائر پر دباؤ میں کمی آئی۔ ایک مزید پیش رفت جو ان کے خلاف معمول حالات میں معیشت کے لیے مددگار ثابت ہوئی، جی 20 ممالک کی جانب سے قرض کی ادائیگی میں سہولت کے اقدامات تھے جس کی بدولت دوطرفہ قرضوں کی چند ادائیگیاں موخر ہوئیں اور بیرونی اکاؤنٹ پر دباؤ کو کمزید کم کرنے کا باعث بنیں۔

بیرونی محاذ پر صورتحال میں بہتری کے نتیجے میں پاکستانی روپے کی قدر میں، اگست میں 168.4353 روپے فی ڈالر کی تاریخ کی بلند ترین سطح کو چھونے کے بعد، ستمبر 2020ء کے دوران افزو دگی دیکھنے میں آئی۔ پاکستانی روپیہ سہ ماہی کے آغاز پر 168.0506 روپے فی ڈالر کی سطح پر ہوا اور تین ماہ کے عرصہ کے دوران 1.4 فیصد کے اضافے کے ساتھ 165.7021 روپے فی ڈالر پر بند ہوا۔ تاہم سال سے اب تک کی تاریخ کی بنیاد پر، پاکستانی روپیہ میں ڈالر کے مقابلے میں 7.01 فیصد کی فروسودگی ہوئی۔

Unconsolidated Condensed Interim Statement of Financial Position
As at September 30, 2020



	Note	Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
ASSETS			
Cash and balances with treasury banks	7	127,513,167	132,704,797
Balances with other banks	8	29,692,845	12,542,239
Lendings to financial institutions	9	2,139,762	1,090,058
Investments	10	964,411,589	748,764,502
Advances	11	445,039,343	496,678,874
Fixed assets	12	57,738,792	58,271,245
Intangible assets	13	835,721	957,552
Deferred tax assets		-	-
Other assets	14	47,497,918	64,142,748
		<u>1,674,869,137</u>	<u>1,515,152,015</u>
LIABILITIES			
Bills payable	16	9,950,943	11,821,698
Borrowings	17	112,373,214	89,505,892
Deposits and other accounts	18	1,274,869,726	1,144,763,259
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	19	6,497,018	5,850,645
Other liabilities	20	85,802,728	94,295,738
		<u>1,489,493,629</u>	<u>1,346,237,232</u>
		<u>185,375,508</u>	<u>168,914,783</u>
NET ASSETS			
REPRESENTED BY			
Share capital		11,850,600	11,850,600
Reserves	21	80,557,917	77,591,253
Surplus on revaluation of assets	22	30,042,616	23,695,441
Unappropriated profit		62,924,375	55,777,489
		<u>185,375,508</u>	<u>168,914,783</u>
CONTINGENCIES AND COMMITMENTS			
	23		

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

Imran Maqbool

Imran Maqbool
President / CEO

Hammad Khalid

Hammad Khalid
Chief Financial Officer

S. M. Muneer

S. M. Muneer
Director

Salman Khalid Butt

Salman Khalid Butt
Director

Muhammad Ali Zeb

Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Profit & Loss Account (Un-audited)
For The Nine Months Period Ended September 30, 2020



	Note	Quarter ended September 30, 2020	Nine months ended September 30, 2020	Quarter ended September 30, 2019	Nine months ended September 30, 2019
-----Rupees in '000-----					
Mark-up / return / interest earned	25	31,823,729	107,035,359	39,317,000	98,449,742
Mark-up / return / interest expensed	26	12,490,250	51,689,024	24,122,769	55,455,751
Net mark-up / interest income		<u>19,333,479</u>	<u>55,346,335</u>	<u>15,194,231</u>	<u>42,993,991</u>
NON MARK-UP / INTEREST INCOME					
Fee and commission income	27	2,875,698	8,021,306	2,756,642	8,323,084
Dividend income		195,079	728,878	157,003	867,264
Foreign exchange income		493,079	1,920,766	465,272	2,192,969
Income/ (loss) from derivatives		3,299	(3,604)	6,981	3,045
Gain/ (loss) on securities	28	2,861,950	2,794,903	51,433	(66,352)
Other Income	29	46,986	96,614	55,980	132,645
Total non-markup / interest Income		<u>6,476,091</u>	<u>13,558,863</u>	<u>3,493,311</u>	<u>11,452,655</u>
Total Income		<u>25,809,570</u>	<u>68,905,198</u>	<u>18,687,542</u>	<u>54,446,646</u>
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	30	8,224,013	24,416,577	8,347,765	24,626,804
Workers welfare fund		321,986	767,073	185,147	550,118
Other charges	31	19,021	259,141	40,886	147,741
Total non-markup / interest expenses		<u>8,565,020</u>	<u>25,442,791</u>	<u>8,573,798</u>	<u>25,324,663</u>
Profit before provisions		<u>17,244,550</u>	<u>43,462,407</u>	<u>10,113,744</u>	<u>29,121,983</u>
Provisions / (reversals) and write offs - net	32	1,145,260	5,108,757	856,442	1,616,106
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		<u>16,099,290</u>	<u>38,353,650</u>	<u>9,257,302</u>	<u>27,505,877</u>
Taxation	33	6,373,881	15,418,817	3,645,587	11,219,168
PROFIT AFTER TAXATION		<u>9,725,409</u>	<u>22,934,833</u>	<u>5,611,715</u>	<u>16,286,709</u>
-----Rupees-----					
Basic and diluted earnings per share	34	<u>8.21</u>	<u>19.35</u>	<u>4.74</u>	<u>13.74</u>

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

Imran Maqbool

Imran Maqbool
President / CEO

Hammad Khalid

Hammad Khalid
Chief Financial Officer

S. M. Muneer

S. M. Muneer
Director

Salman Khalid Butt

Salman Khalid Butt
Director

Muhammad Ali Zeb

Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For The Nine Months Period Ended September 30, 2020



	Quarter ended September 30, 2020	Nine months ended September 30, 2020	Quarter ended September 30, 2019	Nine months ended September 30, 2019
-----Rupees in '000-----				
Profit after taxation for the period	9,725,409	22,934,833	5,611,715	16,286,709
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Effect of translation of net investment in foreign branches	(126,792)	673,181	(425,949)	1,191,458
Movement in surplus on revaluation of investments - net of tax	(9,108,649)	6,441,414	2,861,012	1,685,424
	(9,235,441)	7,114,595	2,435,063	2,876,882
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement loss on defined benefit obligations - net of tax	-	(1,738,103)	-	(534,194)
	-	(1,738,103)	-	(534,194)
Total comprehensive income	489,968	28,311,325	8,046,778	18,629,397

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


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer


S. M. Muneer
Director


Salman Khalid Butt
Director


Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Statement of Changes In Equity (Un-audited)
For The Nine Months Period Ended September 30, 2020



	Share capital	Share premium	Capital reserve Non-distributable capital reserve	Exchange translation reserve	Statutory reserve	Revenue reserve General reserve	Surplus/(deficit) on revaluation of Investments	Fixed / non- banking assets	Unappropriated profit	Total
Balance as at December 31, 2018	11,850,600	23,751,114	908,317	1,629,543	29,250,007	16,600,000	(2,758,144)	12,505,248	53,532,044	149,277,729
Total comprehensive income for the nine months period ended September 30, 2019	-	-	-	1,191,458	-	-	-	-	16,286,709	16,286,709
Profit after taxation for the nine months period ended September 30, 2019	-	-	-	1,191,458	-	-	-	-	16,286,709	16,286,709
Other comprehensive income - net of tax	-	-	-	1,191,458	-	-	-	-	(534,194)	2,342,688
Transfer to statutory reserve	-	-	-	-	1,628,671	-	-	-	15,752,515	18,629,397
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(1,628,671)	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	39,949	39,949
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	10,563	10,563
Final cash dividend at Rs. 4.0 per share - December 31, 2018	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - March 31, 2019	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - June 30, 2019	-	-	-	-	-	-	-	-	-	-
Balance as at Sep 30, 2019	11,850,600	23,751,114	908,317	2,821,001	30,878,678	16,600,000	(1,072,720)	12,454,736	53,485,680	153,686,406
Change in equity for three months period ended December 31, 2019	-	-	-	2,821,001	30,878,678	-	-	-	-	-
Total comprehensive income for the three months period ended December 31, 2019	-	-	-	-	-	-	-	-	-	-
Profit after taxation for the three months period ended December 31, 2019	-	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	(145,870)	-	-	-	-	7,690,130	7,690,130
Transfer to statutory reserve	-	-	-	(145,870)	-	-	-	-	58,773	12,278,487
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	7,749,903	19,969,617
Surplus realized on disposal of non-banking assets - net of tax	-	-	-	-	769,013	-	-	-	(769,013)	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	13,296	13,296
Interim cash dividend at Rs. 4.0 per share - September 30, 2019	-	-	-	-	-	-	-	-	37,863	37,863
Balance as at December 31, 2019	11,850,600	23,751,114	908,317	2,675,131	31,656,691	16,600,000	4,217,747	19,477,894	55,777,489	168,914,783
Change in equity for three months period ended September 30, 2020	-	-	-	2,675,131	31,656,691	-	-	-	-	-
Total comprehensive income for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	-
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	673,181	-	-	-	-	22,934,833	22,934,833
Transfer to statutory reserve	-	-	-	673,181	-	-	-	-	5,376,492	5,376,492
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	21,196,730	28,311,325
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	2,293,483	-	-	-	(2,293,483)	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	66,920	66,920
Final cash dividend at Rs. 5.0 per share - December 31, 2019	-	-	-	-	-	-	-	-	22,545	22,545
Interim cash dividend at Rs. 5.0 per share - March 31, 2020	-	-	-	-	-	-	-	-	4,774	4,774
Balance as at September 30, 2020	11,850,600	23,751,114	908,317	3,348,312	33,950,174	16,600,000	10,659,161	19,383,456	62,924,375	185,375,508
Change in equity for three months period ended September 30, 2020	-	-	-	3,348,312	33,950,174	-	-	-	-	-
Total comprehensive income for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	-
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
Final cash dividend at Rs. 5.0 per share - December 31, 2019	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 5.0 per share - March 31, 2020	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2020	11,850,600	23,751,114	908,317	3,348,312	33,950,174	16,600,000	10,659,161	19,383,456	62,924,375	185,375,508

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


Imran Maqbool
President / CEO


Hammad Khalid
Chief Financial Officer


S. M. Muneer
Director


Salman Khalid Butt
Director


Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For The Nine Months Period Ended September 30, 2020



Note	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	-----Rupees in '000-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	38,353,650	27,505,877
Less: Dividend income	(728,878)	(867,264)
	37,624,772	26,638,613
Adjustments:		
Depreciation on fixed assets	30 1,478,491	1,406,333
Depreciation on right of use assets	30 940,269	900,212
Depreciation on non-banking assets acquired in satisfaction of claims	30 22,835	34,815
Amortization	30 238,349	200,823
Provisions / (reversals) and write offs - net	32 5,108,757	1,616,106
Workers welfare fund	767,073	550,118
Gain on sale of fixed assets and non-banking assets acquired-net	29 (47,327)	(76,785)
Charge / (reversal) for defined benefit plans	263,546	9,825
Interest expensed on lease liability against right-of-use assets	1,063,304	456,590
Loss on amalgamation of a subsidiary	-	7,512
Unrealized (gain)/loss on revaluation of investments classified as held for trading	28 6,441	2,545
	9,841,738	5,108,094
	47,466,510	31,746,707
Decrease / (increase) in operating assets		
Lendings to financial institutions	(1,049,704)	29,004,201
Held-for-trading securities	(23,008,775)	4,082,940
Advances	46,357,627	13,909,008
Others assets (excluding advance taxation)	17,525,009	(8,389,479)
	39,824,157	38,606,670
Increase / (decrease) in operating liabilities		
Bills Payable	(1,870,755)	(6,384,521)
Borrowings from financial institutions	23,966,533	(14,219,016)
Deposits	130,106,467	96,102,035
Other liabilities (excluding current taxation)	(20,034,690)	2,542,605
	132,167,555	78,041,103
Defined benefits paid	(233,433)	(238,381)
Income tax paid	(10,139,484)	(2,177,752)
Net cash flow from operating activities	209,085,305	145,978,347
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(199,269,124)	(119,868,887)
Net investments in held-to-maturity securities	16,596,306	1,038,783
Dividends received	596,600	774,508
Investments in fixed assets	(1,737,331)	(3,397,476)
Investments in Intangible assets	(115,442)	(475,010)
Proceeds from sale of fixed assets	144,378	140,819
Proceeds from sale of non-banking assets acquired in satisfaction of claims	39,000	40,000
Investments in non-banking assets acquired in satisfaction of claims	-	(64,445)
Proceeds from amalgamation of a subsidiary	-	40,968
Effect of translation of net investment in foreign branches	673,181	1,191,458
Net cash flow used in investing activities	(183,072,432)	(120,579,282)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of subordinated debt	-	(3,891,019)
Payment of lease liability against right-of-use-assets	(1,213,264)	(1,130,677)
Dividend paid	(11,741,422)	(14,108,685)
Net cash flow used in financing activities	(12,954,686)	(19,130,381)
Effects of exchange rate changes on cash and cash equivalents	3,189,458	3,835,293
Increase in cash and cash equivalents	16,247,645	10,103,977
Cash and cash equivalents at beginning of the period	140,708,131	109,346,115
Cash and cash equivalents at end of the period	156,955,776	119,450,092

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

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

S. M. Muneer
Director

Salman Khalid Butt
Director

Muhammad Ali Zeb
Director

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



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 1,402 branches (2019: 1,399 branches) within Pakistan and 11 branches (2019: 11 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

2. BASIS OF PREPARATION

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

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

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

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

3. STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;

- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and

- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

3.2 The State Bank of Pakistan has deferred the applicability of International Financial Reporting Standard 9, 'Financial Instruments' through BPRD Circular No. 04 of 2019 dated October 23, 2019 and International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

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

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

There are certain new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2020. These are considered either to not be relevant or not to have any significant impact on the Bank's unconsolidated condensed interim financial statements.



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

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

	Effective date (annual periods beginning on or after)
IAS 1, Presentation of Financial Statements (Amendments)	January 1, 2022
IAS 16, Property, plant and equipment (Amendments)	January 1, 2022
IAS 37, Provisions, Contingent Liabilities and Contingent Assets (Amendments)	January 1, 2022
IFRS 17, Insurance Contracts	January 1, 2021

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, as per BPRD Circular No. 04 of 2019 dated October 23, 2019 of SBP, effective date of IFRS 9 implementation is January 01, 2021.

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

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

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 The significant accounting policies and methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the audited annual unconsolidated financial statements of the Bank for the year ended December 31, 2019.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these unconsolidated condensed interim financial statements are the same as that applied in the preparation of the unconsolidated financial statements for the year ended December 31, 2019 except as explained in note 6.1.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2019. These risk management policies continue to remain robust and the Bank is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

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

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

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

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

6.1 Credit Risk Management

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



As the full potential effect of the economic stress posed by the COVID-19 outbreak is difficult to predict, the management has exercised prudence and booked General Provision of Rs 5.3 billion during the nine months period ended September 30, 2020.

6.2 Liquidity Risk Management

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

6.3 Equity Risk Management

During the period, an impairment loss of Rs 1,741.877 million was triggered from the valuation of listed equity securities held as Available for Sale (AFS). SBP via BPRD Circular Letter No. 13 of 2020 Para 4 (c) has provided regulatory relief to Banks / DFIs to recognize impairment losses resulting from the valuation of listed equity securities held as AFS, in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. However, the Bank has recognized full impairment impact of Rs 1,741.877 million in these unconsolidated condensed interim financial statements.

6.4 Operational Risk Management

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

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

6.5 Capital Adequacy Ratio (CAR)

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

6.6 Suspension of Dividends

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

	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
7. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	21,356,384	18,738,087
Foreign currencies	4,799,970	2,201,941
	26,156,354	20,940,028
With State Bank of Pakistan in		
Local currency current accounts	54,874,279	56,533,231
Foreign currency current accounts	479,350	277,126
Foreign currency deposit accounts	11,201,818	14,023,401
	66,555,447	70,833,758
With other central banks in		
Foreign currency current accounts	18,700,253	16,220,148
With National Bank of Pakistan in		
Local currency current accounts	16,044,642	24,390,028
Prize bonds	56,471	320,835
	127,513,167	132,704,797
8. BALANCES WITH OTHER BANKS		
Outside Pakistan		
In current accounts	24,994,918	8,396,527
In deposit accounts	4,697,927	4,145,712
	29,692,845	12,542,239
9. LENDINGS TO FINANCIAL INSTITUTIONS		
Call / clean money lendings	1,915,587	880,853
Repurchase agreement lendings (Reverse Repo)	224,175	209,205
	2,139,762	1,090,058

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



11.3 Particulars of provision against advances

	Unaudited September 30, 2020			Audited December 31, 2019		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000-----					
Opening balance	41,934,421	1,423,921	43,358,342	41,943,509	1,266,717	43,210,226
Exchange adjustments	186,883	20,939	207,822	302,297	21,237	323,534
Charge for the period / year	1,327,026	5,389,520	6,716,546	3,356,159	155,449	3,511,608
Reversals	(1,346,720)	(79,477)	(1,426,197)	(3,649,742)	(19,482)	(3,669,224)
	(19,694)	5,310,043	5,290,349	(293,583)	135,967	(157,616)
Amounts written off	(207,841)	-	(207,841)	(17,802)	-	(17,802)
Closing balance	41,893,769	6,754,903	48,648,672	41,934,421	1,423,921	43,358,342

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

11.3.2 General provision against consumer loans represents provision maintained against fully secured performing portfolio and unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision against Small Enterprise Finance represents provision maintained at an amount equal to 1% of unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries in which the overseas branches operate.

11.3.3 This includes reversal of provisions and reduction of non-performing loans amounting to Rs. 83.542 million (2019: Rs. NIL) as a result of settlement on debt asset swap arrangement with customers.

11.3.4 In addition, the Bank has also maintained a general provision of Rs 5,873.021 million (December 31, 2019: Rs 527 million) against financing made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations as explained in note 6.1.

12. FIXED ASSETS

	Note	Unaudited September 30, 2020	Audited December 31, 2019
		-----Rupees in '000-----	
Capital work-in-progress	12.1	1,053,505	975,566
Property and equipment		49,715,978	49,620,934
Right-of-use assets		6,969,309	7,674,745
		57,738,792	58,271,245
12.1 Capital work-in-progress			
Civil works		857,457	451,189
Equipment		17,378	90,946
Advances to suppliers		167,149	428,617
Others		11,521	4,814
		1,053,505	975,566

12.2 Additions to fixed assets

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

Capital work-in-progress	77,939	187,346
Property and equipment		
Freehold land	153,355	821,201
Building on freehold land	489,332	1,177,011
Building on leasehold land	168,214	-
Electrical office and computer equipment	445,322	723,361
Furniture and fixture	151,622	144,361
Leasehold Improvements	198,448	264,542
Vehicles	53,099	79,654
	1,659,392	3,210,130
Total	1,737,331	3,397,476

12.3 Disposal of fixed assets

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

Freehold land	-	21,000
Vehicles	11,762	38,762
Furniture and fixture	403	738
Electrical office and computer equipment	3,316	3,251
Building on freehold land	85,546	283
Total	101,027	64,034

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



13. INTANGIBLE ASSETS

Capital work-in-progress
Computer software

13.1 Additions to intangible assets

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

Capital work-in-progress	22,655	124,497
Directly purchased	92,787	350,513
	115,442	475,010

14. OTHER ASSETS

Income/ mark-up accrued in local currency	11,959,844	22,099,766
Income/ mark-up accrued in foreign currencies	687,609	558,407
Advances, deposits, advance rent and other prepayments	2,868,536	3,720,012
Compensation for delayed income tax refunds	133,809	133,809
Non-banking assets acquired in satisfaction of claims	3,284,994	3,251,508
Branch adjustment account	-	37,075
Mark to market gain on forward foreign exchange contracts	1,366,287	3,875,681
Unrealized gain on derivative financial instruments	728,178	1,236,517
Acceptances	21,183,683	18,152,032
Receivable from the pension fund	1,314,559	3,605,121
Others	5,912,720	9,399,297
	49,440,219	66,069,225
Less: Provision held against other assets	2,612,616	2,604,137
Other Assets (net of provision)	46,827,603	63,465,088
Surplus on revaluation of non-banking assets		
acquired in satisfaction of claims	670,315	677,660
Other Assets - total	47,497,918	64,142,748

14.1 Provision held against other assets

Non banking assets acquired in satisfaction of claims	90,938	90,938
Claims against fraud and forgeries	490,704	516,497
Others	2,030,974	1,996,702
	2,612,616	2,604,137

14.1.1 Movement in provision held against other assets

Opening balance	2,604,137	2,550,584
Charge for the period / year	2,028	12,587
Reversals	(27,554)	(36,023)
	(25,526)	(23,436)
Amounts written off	(15,928)	(3,638)
Exchange and other adjustments	49,933	80,627
Closing balance	2,612,616	2,604,137

15. CONTINGENT ASSETS

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

MCB Bank Limited

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



16. BILLS PAYABLE

	Unaudited September 30, 2020	Audited December 31, 2019
In Pakistan	9,862,138	11,786,207
Outside Pakistan	88,805	35,491
	<u>9,950,943</u>	<u>11,821,698</u>

17. BORROWINGS

Secured

Borrowings from State Bank of Pakistan		
Under export refinance scheme	29,814,968	33,862,262
Under long term financing facility	20,800,270	18,138,200
Under renewable energy performance platform	83,933	85,062
Under payment of Wages & Salaries	6,731,873	-
Under temporary economic refinance facility	94,467	-
Under financing facility for storage of agricultural produce	205,123	188,809
	<u>57,730,634</u>	<u>52,274,333</u>
Repurchase agreement borrowings	52,046,816	28,099,229
Total secured	<u>109,777,450</u>	<u>80,373,562</u>

Unsecured

Borrowings from other financial institution	2,183,240	774,914
Call borrowings	-	6,845,683
Overdrawn nostro accounts	250,236	1,349,447
Others	162,288	162,286
Total unsecured	<u>2,595,764</u>	<u>9,132,330</u>
	<u>112,373,214</u>	<u>89,505,892</u>

18. DEPOSITS AND OTHER ACCOUNTS

	Unaudited September 30, 2020			Audited December 31, 2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	-----Rupees in '000-----					
Customers						
Current deposits	395,491,427	48,830,414	444,321,841	336,833,189	51,619,020	388,452,209
Savings deposits	644,235,858	49,801,372	694,037,230	552,121,108	45,357,701	597,478,809
Term deposits	65,878,332	15,353,808	81,232,140	85,296,905	15,518,802	100,815,707
Others	23,536,129	3,406,334	26,942,463	21,537,429	2,854,010	24,391,439
	<u>1,129,141,746</u>	<u>117,391,928</u>	<u>1,246,533,674</u>	<u>995,788,631</u>	<u>115,349,533</u>	<u>1,111,138,164</u>
Financial Institutions						
Current deposits	7,488,998	1,768,342	9,257,340	9,421,664	2,093,098	11,514,762
Savings deposits	12,940,323	23,527	12,963,850	13,005,530	26,432	13,031,962
Term deposits	1,144,968	4,740,808	5,885,776	1,143,468	7,741,444	8,884,912
Others	-	229,086	229,086	-	193,459	193,459
	<u>21,574,289</u>	<u>6,761,763</u>	<u>28,336,052</u>	<u>23,570,662</u>	<u>10,054,433</u>	<u>33,625,095</u>
	<u>1,150,716,035</u>	<u>124,153,691</u>	<u>1,274,869,726</u>	<u>1,019,359,293</u>	<u>125,403,966</u>	<u>1,144,763,259</u>

MCB Bank Limited

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



19. DEFERRED TAX LIABILITIES

Taxable Temporary Differences on

- Surplus on revaluation of fixed assets	1,298,377	1,346,550
- Surplus on revaluation of non-banking assets	234,611	237,181
- Accelerated tax depreciation	1,785,598	1,754,097
- Receivable from pension fund	460,095	1,261,793
- Business combination	705,218	705,218
- Surplus/deficit on revaluation of investments	5,739,548	2,271,094
	<u>10,223,447</u>	<u>7,575,933</u>

Deductible Temporary Differences on

- Provision against advances	(3,726,429)	(1,725,288)
	<u>(3,726,429)</u>	<u>(1,725,288)</u>
	<u>6,497,018</u>	<u>5,850,645</u>

20. OTHER LIABILITIES

Mark-up/ return/ interest payable in local currency	6,517,342	22,831,727
Mark-up/ return/ interest payable in foreign currencies	259,749	649,536
Unearned commission and income on bills discounted	180,770	181,751
Accrued expenses	5,525,708	5,397,614
Provision for taxation (provisions less payments)	13,285,076	6,119,564
Workers' welfare fund	8,640,779	7,873,706
Acceptances	21,183,683	18,152,032
Unclaimed / dividends payable	1,702,157	1,592,979
Mark to market loss on forward foreign exchange contracts	1,267,249	4,642,692
Unrealised loss on derivative financial instruments	726,889	1,232,806
Staff welfare fund	4,224	5,727
Provision for employees' compensated absences	1,100,271	939,495
Provision for post retirement medical benefits	2,139,814	1,921,348
Provision for employees' contributory benevolent scheme	255,506	221,193
Retention money	20,657	20,657
Insurance payable against consumer assets	602,473	655,146
Unclaimed balances	925,178	993,105
Duties and taxes payable	889,880	753,674
Provision against off-balance sheet obligations	46,594	46,581
Security deposits against lease	514,838	491,366
Branch adjustment account	263,516	-
Lease liability against right of use assets	8,126,575	8,295,864
Others	11,623,800	11,277,175
	<u>85,802,728</u>	<u>94,295,738</u>

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

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

21. RESERVES

Share premium	23,751,114	23,751,114
Non- distributable capital reserve - gain on bargain purchase option	908,317	908,317
Exchange translation reserve	3,348,312	2,675,131
Statutory reserve	33,950,174	31,656,691
General reserve	18,600,000	18,600,000
	<u>80,557,917</u>	<u>77,591,253</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.

22. SURPLUS ON REVALUATION OF ASSETS

	Note	Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	16,398,709	6,488,841
- Fixed Assets		20,246,127	20,383,765
- Non-banking assets acquired in satisfaction of claims		670,316	677,660
		37,315,152	27,550,266
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		5,739,548	2,271,094
- Fixed Assets		1,298,377	1,346,550
- Non-banking assets acquired in satisfaction of claims		234,611	237,181
		7,272,536	3,854,825
		30,042,616	23,695,441

23. CONTINGENCIES AND COMMITMENTS

-Guarantees	23.1	180,618,102	173,535,128
-Commitments	23.2	486,996,037	649,690,990
-Other contingent liabilities	23.3	30,679,205	27,920,652
		698,293,344	851,146,770

23.1 Guarantees:

Financial guarantees		150,567,952	141,181,839
Performance guarantees		27,287,269	30,401,373
Other guarantees		2,762,881	1,951,916
		180,618,102	173,535,128

23.2 Commitments:

Documentary credits and short-term trade-related transactions			
- letters of credit		154,450,799	145,217,983
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	322,178,426	405,615,318
- forward government securities transactions	23.2.2	3,542,928	87,696,638
- derivatives	23.2.3	5,111,182	10,244,806
Commitments for acquisition of:			
- operating fixed assets		1,621,913	859,953
- intangible assets		90,789	56,292
		486,996,037	649,690,990

23.2.1 Commitments in respect of forward foreign exchange contracts

Purchase		173,233,003	217,809,539
Sale		148,945,423	187,805,779
		322,178,426	405,615,318

23.2.2 Commitments in respect of forward government securities transactions

Purchase		2,897,808	82,284,304
Sale		645,120	5,412,334
		3,542,928	87,696,638

23.2.3 Commitments in respect of derivatives

FX options (notional)			
Purchase		152,662	431,449
Sale		152,662	431,449
		305,324	862,898
Cross Currency Swaps (notional)			
Purchase		2,325,348	4,428,663
Sale		2,480,510	4,636,745
		4,805,858	9,065,408
Interest Rate Swaps (notional)			
Purchase		-	316,500
		5,111,182	10,244,806



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

	Note	Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
23.3 Other contingent liabilities			
Claims against the Bank not acknowledged as debts	23.3.1	30,679,205	27,920,652

23.3.1 These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.

23.4 Taxation

For assessment year 1988-89 through tax year 2018, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs.8,178 million (2019: Rs. 1,487 million). Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

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

24. DERIVATIVE INSTRUMENTS

Unaudited September 30, 2020					
Cross Currency Swaps		Interest Rate Swaps		FX Options	
Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss
-----Rupees in '000-----					
Total					
Hedging	2,325,348	726,306	-	152,662	1,872
Market Making	2,480,510	(725,017)	-	152,662	(1,872)
Audited December 31, 2019					
-----Rupees in '000-----					
Total					
Hedging	4,428,663	1,218,634	316,500	11,510	431,449
Market Making	4,636,745	(1,226,433)	-	-	431,449

25. MARK-UP/RETURN/INTEREST EARNED

Loans and advances	35,025,592	41,471,940
Investments	70,900,805	52,811,604
Lendings to financial institutions	925,147	3,772,749
Balances with banks	183,815	393,449
	107,035,359	98,449,742

26. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	44,341,311	45,490,778
Borrowings	4,359,320	7,225,415
Subordinated debt	-	213,604
Cost of foreign currency swaps against foreign currency deposits / borrowings	1,925,089	2,069,364
Unwinding cost of liability against right-of-use assets	1,063,304	456,590
	51,689,024	55,455,751

MCB Bank Limited

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



	Note	Unaudited September 30, 2020	Unaudited September 30, 2019
		-----Rupees in '000-----	
27. FEE & COMMISSION INCOME			
Branch banking customer fees		1,505,881	1,363,391
Consumer finance related fees		297,385	240,669
Card related fees (debit and credit cards)		2,287,121	2,209,876
Credit related fees		24,364	166,728
Investment banking fee		93,426	113,080
Commission on trade		942,596	1,068,702
Commission on guarantees		416,025	459,303
Commission on cash management		449,723	455,214
Commission on remittances including home remittances		796,374	863,115
Commission income - Bancassurance		839,484	1,000,046
Rent on lockers		163,559	179,794
Commission on utility bills		57,673	75,544
Commission on investments services		25,503	40,314
Other Commission		122,192	87,308
		8,021,306	8,323,084
28. GAIN ON SECURITIES, NET			
Realised	28.1	2,801,344	(63,807)
Unrealised - held for trading	10.1	(6,441)	(2,545)
		2,794,903	(66,352)
28.1 Realised gain / (loss) on:			
Federal Government Securities		2,922,507	66,330
Shares		(124,341)	(122,625)
Others		3,178	(7,512)
		2,801,344	(63,807)
29. OTHER INCOME			
Rent on property		49,287	55,860
Gain on sale of fixed assets and non banking assets -net		47,327	76,785
		96,614	132,645
30. OPERATING EXPENSES			
Total compensation expense		11,908,575	10,996,098
Property expense			
Rent and taxes		127,750	272,176
Insurance		17,352	15,885
Utilities cost		872,991	849,366
Fuel expense generators		254,084	391,316
Security (including guards)		931,709	1,072,785
Repair and maintenance (including janitorial charges)		453,681	683,066
Depreciation on right-of-use assets		940,269	900,212
Depreciation		465,147	355,674
		4,062,983	4,540,480
Information technology expenses			
Software maintenance		868,467	935,498
Hardware maintenance		157,916	259,612
Depreciation		401,563	453,751
Amortisation		238,349	200,823
Network charges		440,328	438,826
Insurance		2,843	2,347
		2,109,466	2,290,857

MCB Bank Limited

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



	Note	Unaudited September 30, 2020	Unaudited September 30, 2019
		-----Rupees in '000-----	
Other operating expenses			
Directors' fees and allowances		31,912	37,531
Legal and professional charges		194,564	239,929
Outsourced services costs		518,968	509,219
Travelling and conveyance		175,982	234,056
NIFT clearing charges		123,767	109,623
Depreciation		611,781	596,908
Depreciation on non-banking assets acquired in satisfaction of claims		22,835	34,815
Training and development		17,147	31,469
Postage and courier charges		184,362	211,745
Communication		244,216	295,788
Stationery and printing		406,224	512,946
Marketing, advertisement & publicity		518,532	599,717
Donations		112,596	100
Auditors' remuneration		23,783	23,546
Cash transportation charges		531,465	566,184
Repair and maintenance		288,022	271,826
Subscription		13,899	11,839
Entertainment		130,968	167,876
Remittance charges		162,328	182,462
Brokerage expenses		27,515	22,923
Card related expenses		615,774	694,580
CNIC verification charges		90,661	168,755
Insurance		1,112,419	1,077,618
Others		175,833	197,914
		6,335,553	6,799,369
		24,416,577	24,626,804
31. OTHER CHARGES			
Penalties of State Bank of Pakistan		185,999	15,857
VAT & National Building tax & Crop Insurance Levy		73,142	131,884
		259,141	147,741
32. PROVISIONS / (REVERSALS) & WRITE OFFS - NET			
(Reversal) / provision against balance with Banks		(1,553)	209
(Reversal) / provision for diminution in value of investments	10.2.1	(62,067)	2,226,813
Provision / (reversal) against loans and advances	11.3	5,290,349	(460,395)
Reversal against other assets	14.1.1	(25,526)	(27,915)
Recovery of written off / charged off bad debts		(92,446)	(122,606)
		5,108,757	1,616,106
33. TAXATION			
Current		17,353,235	10,571,020
Prior years		-	450,438
Deferred		(1,934,418)	197,710
		15,418,817	11,219,168
34. BASIC AND DILUTED EARNINGS PER SHARE			
		-----Rupees in '000-----	
Profit after tax		22,934,833	16,286,709
		-----Number-----	
Weighted average number of ordinary shares		1,185,060,006	1,185,060,006
		-----Rupees-----	
Basic and diluted earnings per share		19.35	13.74



35. FAIR VALUE MEASUREMENTS

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

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the financial assets and financial liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

35.1 Fair value of financial assets

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

Item	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined using the PKRV rates.
Term Finance and Bonds	Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.
Operating fixed assets (land and building) & NBA	Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.



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

	Unaudited September 30, 2020				
	Carrying value	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	908,979,079	-	908,979,079	-	908,979,079
Shares	15,259,821	15,259,821	-	-	15,259,821
Non-Government Debt Securities	1,885,148		1,885,148	-	1,885,148
Foreign Securities	6,661,967	-	6,661,967	-	6,661,967
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares, subsidiaries and associates)	31,625,574	-	-	-	-
Cash and balances with treasury banks	127,513,167	-	-	-	-
Balances with other banks	29,692,845	-	-	-	-
Lendings to financial institutions	2,139,762	-	-	-	-
Advances	445,039,343	-	-	-	-
Other assets	39,316,643	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	43,448,926	-	43,448,926	-	43,448,926
Non-banking assets	3,864,371	-	3,864,371	-	3,864,371
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	173,233,003	-	671,322	-	671,322
Forward sale of foreign exchange	148,945,423	-	770,360	-	770,360
Derivatives purchase	2,478,010	-	728,178	-	728,178
Derivatives sale	2,633,172	-	726,889	-	726,889
Audited December 31, 2019					
	Carrying value	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	680,585,359	-	680,585,359	-	680,585,359
Shares	14,912,747	14,912,747	-	-	14,912,747
Non-Government Debt Securities	1,306,414		1,306,414	-	1,306,414
Foreign Securities	3,663,065	-	3,663,065	-	3,663,065
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares, subsidiaries and associates)	48,296,917	-	-	-	-
Cash and balances with treasury banks	132,704,797	-	-	-	-
Balances with other banks	12,542,239	-	-	-	-
Lendings to financial institutions	1,090,058	-	-	-	-
Advances	496,678,874	-	-	-	-
Other assets	52,808,501	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	43,552,234	-	43,552,234	-	43,552,234
Non-banking assets	3,838,230	-	3,838,230	-	3,838,230
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	217,809,539	-	4,146,908	-	4,146,908
Forward sale of foreign exchange	187,805,779	-	3,379,897	-	3,379,897
Derivatives purchase	5,176,612	-	1,232,827	-	1,232,827
Derivatives sale	5,068,194	-	1,229,116	-	1,229,116

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



36 SEGMENT INFORMATION

36.1 Segment details with respect to business activities

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

Un audited Nine months ended September 30, 2020								
Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	others	Sub-total	Eliminations	Total
Ru pees in '000								
Profit & Loss								
Net mark-up/return/profit	(36,027,014)	2,137,301	23,072,073	65,028,809	1,135,166	-	-	55,346,335
Inter segment revenue - net	68,394,036	(435,664)	(18,550,059)	(54,823,950)	(119,756)	-	-	-
Non mark-up / return / interest income	4,606,507	1,401,018	2,407,237	4,321,048	584,683	238,370	-	13,558,863
Total Income	36,973,529	3,102,655	6,929,251	14,525,907	1,600,093	5,773,763	-	68,905,198
Segment direct expenses	15,642,405	1,036,491	639,079	283,726	982,666	6,858,424	-	25,442,791
Inter segment expense allocation	-	-	-	-	-	-	-	-
Total expenses	15,642,405	1,036,491	639,079	283,726	982,666	6,858,424	-	25,442,791
Provisions	140,030	89,946	360,373	(143,355)	114,074	4,547,689	-	5,108,757
Profit before tax	21,191,094	1,976,218	5,929,799	14,385,536	503,353	(5,632,350)	-	38,353,650
Balance Sheet								
Cash & Bank balances	45,408,889	271,765	496,767	82,541,228	27,910,879	576,484	-	157,206,012
Investments	-	-	10,665,392	939,826,889	13,919,308	-	-	964,411,589
Net inter segment lending	1,055,598,836	-	-	-	-	203,286,145	(1,258,884,981)	-
Lendings to financial institutions	-	-	-	-	2,139,762	-	-	2,139,762
Advances - performing	89,362,450	24,396,540	302,381,657	-	20,584,131	-	-	436,724,778
- non performing	428,068	225,743	1,767,200	-	5,160,500	733,054	-	8,314,565
Others	34,959,595	2,120,226	26,036,064	6,094,924	3,629,949	33,031,673	-	106,072,431
Total Assets	1,225,757,838	27,014,274	341,347,080	1,028,463,041	73,544,529	237,627,356	(1,258,884,981)	1,674,869,137
Borrowings	48,204,154	-	9,688,767	50,795,819	3,684,474	-	-	112,373,214
Deposits & other accounts	1,155,938,804	20,033,549	48,619,621	-	50,277,752	-	-	1,274,869,726
Net inter segment borrowing	-	4,319,663	263,626,652	976,590,870	14,347,796	-	(1,258,884,981)	-
Others	21,614,880	2,661,062	19,412,040	1,076,352	5,234,507	52,251,848	-	102,250,689
Total liabilities	1,225,757,838	27,014,274	341,347,080	1,028,463,041	73,544,529	237,627,356	(1,258,884,981)	1,489,493,629
Equity	-	-	-	-	-	185,375,508	-	185,375,508
Total Equity & liabilities	1,225,757,838	27,014,274	341,347,080	1,028,463,041	73,544,529	237,627,356	(1,258,884,981)	1,674,869,137
Contingencies & Commitments	61,489,790	-	269,790,277	327,828,103	6,494,720	32,690,454	-	698,293,344

Un audited Nine months ended September 30, 2019								
Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	others	Sub-total	Eliminations	Total
Ru pees in '000								
Profit & Loss								
Net mark-up/return/profit	(34,490,737)	2,885,940	26,058,619	47,124,717	1,415,452	-	-	42,993,991
Inter segment revenue - net	69,577,999	(1,890,012)	(22,858,118)	(50,444,377)	(126,761)	-	-	-
Non mark-up / return / interest income	4,660,583	1,493,471	2,621,692	1,682,229	480,706	513,974	-	11,452,655
Total Income	39,747,845	2,489,399	5,822,193	(1,637,431)	1,769,397	6,255,243	-	54,446,646
Segment direct expenses	15,915,278	995,574	401,626	229,179	990,651	6,792,355	-	25,324,663
Inter segment expense allocation	-	-	-	-	-	-	-	-
Total expenses	15,915,278	995,574	401,626	229,179	990,651	6,792,355	-	25,324,663
Provisions	(101,780)	(24,517)	478,967	2,219,990	32,163	(988,717)	-	1,616,106
Profit before tax	23,934,347	1,518,342	4,941,600	(4,086,600)	746,583	451,605	-	27,505,877
Balance Sheet								
Cash & Bank balances	50,154,942	21,483	676,139	65,572,277	28,149,362	672,833	-	145,247,036
Investments	-	-	10,638,292	723,114,519	15,011,691	-	-	748,764,502
Net inter segment lending	940,015,024	-	-	-	-	164,292,627	(1,104,307,651)	-
Lendings to financial institutions	-	-	-	880,853	209,205	-	-	1,090,058
Advances - performing	98,464,054	24,342,756	341,191,287	-	25,190,939	-	-	489,189,036
- non performing	1,074,787	113,148	1,237,494	-	4,836,865	227,544	-	7,489,838
Others	34,759,963	1,882,299	25,393,004	13,804,786	2,368,790	45,162,743	-	123,371,545
Total Assets	1,124,468,770	26,359,646	379,136,216	803,372,435	75,766,852	210,355,747	(1,104,307,651)	1,515,152,015
Borrowings	45,355,965	-	7,057,504	33,572,200	3,520,223	-	-	89,505,892
Deposits & other accounts	1,033,804,761	-	55,425,048	-	55,523,627	9,823	-	1,144,763,259
Net inter segment borrowing	-	24,124,908	299,650,838	768,067,183	12,464,722	-	(1,104,307,651)	-
Others	45,308,044	2,234,738	17,002,826	1,733,052	4,258,280	41,431,141	-	111,968,081
Total liabilities	1,124,468,770	26,359,646	379,136,216	803,372,435	75,766,852	41,440,964	(1,104,307,651)	1,346,237,232
Equity	-	-	-	-	-	168,914,783	-	168,914,783
Total Equity & liabilities	1,124,468,770	26,359,646	379,136,216	803,372,435	75,766,852	210,355,747	(1,104,307,651)	1,515,152,015
Contingencies & Commitments	48,973,361	-	262,455,692	496,556,621	14,015,586	29,145,510	-	851,146,770

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.

Notes To The Unconsolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



37 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its subsidiaries, associates, employee benefit plans, its directors and key management personnel and their close family members.
The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers 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 September 30, 2020				Audited December 31, 2019					
Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
(Rupees in '000)									
Balances with other banks									
In current accounts									
	-	-	-	-	1,446	-	-	-	14,389
	-	-	-	-	1,446	-	-	-	14,389
Lendings to Financial Institutions									
Opening balance	-	-	880,853	-	-	-	631,351	-	-
Addition during the period / year	-	-	8,703,928	-	-	-	22,355,349	-	-
Repaid during the period / year	-	-	(9,584,781)	-	-	-	(22,105,847)	-	-
Closing balance	-	-	-	-	-	-	880,853	-	-
Investments									
Opening balance	-	-	12,346,537	700,401	254,253	-	12,046,512	700,401	254,253
Investment made during the period / year	-	-	-	-	-	-	350,000	-	-
Adjustment under amalgamation scheme	-	-	-	-	-	-	(49,975)	-	-
Closing balance	-	-	12,346,537	700,401	254,253	-	12,346,537	700,401	254,253
Provision for diminution in value of investments									
	-	-	725	-	5,000	-	725	-	5,000
Advances									
Opening balance	1,722	129,048	889,811	-	339,520	658	141,390	366,872	1,050,277
Addition / exchange adjustment during the period / year	11,225	20,836	-	356,898	331,810	29,148	62,216	522,939	1,642,434
Repaid / exchange adjustment during the period / year	(11,680)	(17,146)	(1,372)	-	(312,179)	(28,084)	(55,470)	-	(1,558,481)
Transfer in / (out)	-	(181)	-	-	(220,438)	-	(19,087)	-	(794,710)
Closing balance	1,266	132,558	888,440	356,898	138,713	1,722	129,049	889,811	339,520
Provision held against advances	-	-	-	-	-	-	-	-	-



		Unaudited September 30, 2020				Audited December 31, 2019			
Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
(Rupees in '000)									
-	2,859	2,390	897	1,941	-	3,202	31,552	-	5,191
-	-	6,422	293,533	27,265	-	-	5,322	246,720	27,080
-	-	-	-	1,314,559	-	-	-	-	3,605,121
-	-	(2,121)	-	-	-	-	27,493	-	-
-	-	-	-	-	-	-	-	-	-
-	-	3,903	-	69,166	-	-	19,146	-	-
-	-	339,596	-	11,537	-	-	386,228	-	144,166
-	-	(331,735)	-	-	-	-	(401,471)	-	(75,000)
-	-	11,764	-	80,703	-	-	3,903	-	69,166
602,381	140,761	54,482	3,657,552	4,179,849	3,745,457	168,528	65,933	3,339,847	3,212,620
472,621	995,624	1,842,958	38,685,214	73,860,810	9,889,584	866,766	4,513,372	22,234,251	62,263,273
(804,283)	(947,075)	(1,844,397)	(37,905,720)	(71,189,281)	(13,025,336)	(884,532)	(4,515,594)	(21,916,546)	(61,423,281)
-	(7,959)	-	-	(503,140)	(7,324)	(10,001)	(9,229)	-	127,237
270,719	181,351	53,043	4,437,046	6,348,238	602,381	140,761	54,482	3,657,552	4,179,849
204	210	-	14,047	11,615	7,263	556	158	50,535	66,906
1,196	-	28,167	107,535	21,564	15,326	-	23,134	62,402	50
-	-	-	-	24,222	-	-	-	-	24,565
-	-	20,000	-	-	-	-	20,000	-	-
-	-	-	10,592	527,974	-	-	-	10,444	746,868
-	-	1,686,114	-	-	-	-	2,044,093	-	-
-	-	102,297	-	-	-	-	26,711	-	-

RELATED PARTY TRANSACTIONS



Unaudited September 30, 2020		Unaudited September 30, 2019							
Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties	Directors	Key Management Personnel	Subsidiaries	Associates	Other Related Parties
(Rupees in '000)									
-	8,175	124,958	912	8,438	-	9,293	180,273	-	15,655
-	-	25,597	742,076	964	-	-	40,408	901,335	9,167
-	-	36,957	105,000	7,933	-	-	-	105,000	6,800
-	-	-	-	53,120	-	-	-	-	(75,276)
72	40	-	2,227	3,553	-	-	-	(57)	10,993
-	39	-	-	-	-	141	-	-	-
-	-	30,235	6,665	1,710	-	-	31,097	6,646	3,038
26,386	1,826	1,803	149,134	157,083	116,992	1,733	1,639	146,824	265,221
-	-	-	-	123,767	-	-	-	-	109,623
-	-	-	-	295,589	-	-	-	-	276,302
-	-	7,840	31,588	26,424	-	-	7,128	-	29,385
-	-	-	-	88,237	-	-	-	-	115,291
-	-	-	-	162,555	-	-	-	-	179,654
-	-	-	-	247,785	-	-	-	-	275,539
137,106	421,288	-	-	-	127,663	367,190	-	-	-
-	-	-	209,514	-	-	-	-	150,885	-
-	-	-	-	95,000	-	-	-	-	4,658
-	-	-	-	3,249	-	-	-	-	25,160
-	-	-	-	33,281	-	-	-	-	1,170
-	-	-	-	3,259	-	-	-	-	1,594
-	-	-	-	1,358	-	-	-	-	8,352
-	-	-	-	7,308	-	-	-	-	1,739
-	-	-	-	1,654	-	-	-	-	-
-	-	-	533,985	-	-	-	-	616,308	-
-	-	-	24,912	-	-	-	-	53,178	-
-	39	-	-	-	-	141	-	-	-
-	-	-	3,277	-	-	-	-	26,373	20,003
-	-	34,203,712	-	-	-	-	21,674,079	-	-
-	-	25,364,992	-	-	-	-	14,873,173	-	-
-	-	2,869,085	-	-	-	-	2,245,910	-	-
215,426	94,789	-	4,054,378	6,390,367	72,522	72,777	-	4,603,481	21,693,423
19,827	500	-	1,130,458	653,148	-	58,966	-	5,412,133	13,183,004
-	-	-	-	11,446,226	-	-	-	-	19,827,851

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.



38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

38.1 Capital Adequacy

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

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

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

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

147,364,668	136,256,771
-------------	-------------

Eligible Additional Tier 1 (ADT 1) Capital

-	-
---	---

Total Eligible Tier 1 Capital

147,364,668	136,256,771
-------------	-------------

Eligible Tier 2 Capital

39,710,126	27,354,014
------------	------------

Total Eligible Capital (Tier 1 + Tier 2)

187,074,794	163,610,785
-------------	-------------

Risk Weighted Assets (RWAs):

Credit Risk

605,266,280	638,492,645
-------------	-------------

Market Risk

130,518,455	108,276,486
-------------	-------------

Operational Risk

120,887,137	120,887,137
-------------	-------------

Total

856,671,872	867,656,268
-------------	-------------

Common Equity Tier 1 Capital Adequacy ratio

17.20%	15.70%
--------	--------

Tier 1 Capital Adequacy Ratio

17.20%	15.70%
--------	--------

Total Capital Adequacy Ratio

21.84%	18.86%
--------	--------

38.2 Leverage Ratio (LR):

Eligible Tier-1 Capital

147,364,668	136,256,771
-------------	-------------

Total Exposures

2,073,753,066	1,928,383,315
---------------	---------------

Leverage Ratio

7.11%	7.07%
-------	-------

38.3 Liquidity Requirements

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

909,876,000	713,965,089
-------------	-------------

Total Net Cash Outflow

387,079,471	362,188,259
-------------	-------------

Liquidity Coverage Ratio

235.06%	197.13%
---------	---------

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

1,129,967,464	983,364,374
---------------	-------------

Total Required Stable Funding

621,596,054	699,043,391
-------------	-------------

Net Stable Funding Ratio

181.78%	140.67%
---------	---------



39 EVENTS AFTER THE REPORTING DATE

In compliance with the SBP's instructions as disclosed in note 6.6 to the unconsolidated condensed interim financial statements, the Board of Directors, in its meeting held on October 27, 2020 has not declared any cash dividend in respect of the quarter ended September 30, 2020 (September 30, 2019: Rs 4 per share). Therefore, there is no non-adjusting event after the balance sheet date.

40 GENERAL

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

41 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on October 27, 2020.



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MCB BANK LIMITED

Consolidated Condensed Interim Financial Statements for the nine months period ended September 30, 2020

MCB Bank Limited & Subsidiary Companies

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



	Note	Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
ASSETS			
Cash and balances with treasury banks	7	135,197,401	142,957,358
Balances with other banks	8	30,697,609	21,371,753
Lendings to financial institutions	9	2,968,552	6,060,869
Investments	10	985,832,536	757,441,590
Advances	11	523,264,691	548,472,860
Fixed assets	12	63,264,224	64,201,807
Intangible assets	13	1,779,408	1,978,975
Deferred tax assets		-	-
Other assets	14	53,060,154	69,729,659
		<u>1,796,064,575</u>	<u>1,612,214,871</u>
LIABILITIES			
Bills payable	16	11,162,601	12,795,325
Borrowings	17	131,877,938	92,859,968
Deposits and other accounts	18	1,364,405,515	1,226,593,025
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities	19	6,980,081	6,214,223
Other liabilities	20	93,361,714	102,405,513
		<u>1,607,787,849</u>	<u>1,440,868,054</u>
		<u>188,276,726</u>	<u>171,346,817</u>
NET ASSETS			
REPRESENTED BY			
Share capital		11,850,600	11,850,600
Reserves	21	80,910,812	77,894,829
Surplus on revaluation of assets	22	30,986,011	24,752,206
Unappropriated profit		63,718,782	56,108,779
		<u>187,466,205</u>	<u>170,606,414</u>
Non-controlling interest		810,521	740,403
		<u>188,276,726</u>	<u>171,346,817</u>
CONTINGENCIES AND COMMITMENTS			
	23		

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

Imran Maqbool

Hammad Khalid
Chief Financial Officer

S. M. Muneer
Director

Salman Khalid Butt
Director

Muhammad Ali Zeb
Director

MCB Bank Limited & Subsidiary Companies

Consolidated Condensed Interim Profit & Loss Account (Un-audited) For The Nine Months Period Ended September 30, 2020



	Note	Quarter ended September 30, 2020	Nine months ended September 30, 2020	Quarter ended September 30, 2019	Nine months ended September 30, 2019
-----Rupees in '000-----					
Mark-up / return / interest earned	25	34,108,359	114,516,948	42,115,036	105,533,314
Mark-up / return / interest expensed	26	13,561,266	55,717,040	25,669,970	59,508,698
Net mark-up / interest income		<u>20,547,093</u>	<u>58,799,908</u>	<u>16,445,066</u>	<u>46,024,616</u>
NON MARK-UP / INTEREST INCOME					
Fee and commission income	27	3,133,652	8,791,768	2,979,481	9,048,543
Dividend income		213,648	629,210	173,890	828,495
Foreign exchange income		566,797	2,100,027	427,733	2,214,113
Income/ (loss) from derivatives		3,299	(3,604)	6,981	3,045
Gain/ (loss) on securities	28	2,935,111	2,877,447	(9,197)	(186,879)
Other Income	29	84,331	168,490	58,390	115,393
Total non-markup / interest Income		<u>6,936,838</u>	<u>14,563,338</u>	<u>3,637,278</u>	<u>12,022,710</u>
Total Income		<u>27,483,931</u>	<u>73,363,246</u>	<u>20,082,344</u>	<u>58,047,326</u>
NON MARK-UP / INTEREST EXPENSES					
Operating expenses	30	9,548,587	28,232,321	9,575,778	28,385,235
Workers welfare fund		321,986	767,073	185,741	551,441
Other charges	31	19,146	259,326	65,002	171,882
Total non-markup / interest expenses		<u>9,889,719</u>	<u>29,258,720</u>	<u>9,826,521</u>	<u>29,108,558</u>
Share of profit of associates		106,046	518,852	174,382	374,289
Profit before provisions		<u>17,700,258</u>	<u>44,623,378</u>	<u>10,430,205</u>	<u>29,313,057</u>
Provisions / (reversals) and write offs - net	32	1,113,552	5,189,574	915,594	1,823,093
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		<u>16,586,706</u>	<u>39,433,804</u>	<u>9,514,611</u>	<u>27,489,964</u>
Taxation	33	6,548,659	15,921,924	3,773,430	11,327,158
PROFIT AFTER TAXATION		<u>10,038,047</u>	<u>23,511,880</u>	<u>5,741,181</u>	<u>16,162,806</u>
Profit attributable to non-controlling interest		(56,690)	(105,145)	(9,508)	(10,326)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE BANK		<u>9,981,357</u>	<u>23,406,735</u>	<u>5,731,673</u>	<u>16,152,480</u>
-----Rupees-----					
Basic and diluted earnings per share	34	<u>8.42</u>	<u>19.75</u>	<u>4.84</u>	<u>13.63</u>

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

Imran Maqbool

Hammad Khalid
Chief Financial Officer

S. M. Muneer
Director

Salman Khalid Butt
Director

Muhammad Ali Zeb
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For The Nine Months Period Ended September 30, 2020



	Quarter ended September 30, 2020	Nine months ended September 30, 2020	Quarter ended September 30, 2019	Nine months ended September 30, 2019
-----Rupees in '000-----				
Profit after taxation for the period	10,038,047	23,511,880	5,741,181	16,162,806
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Effect of translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the bank	(132,667)	699,452	(433,316)	1,228,006
- Non-controlling interest	(4)	16	(4)	23
	(132,671)	699,468	(433,320)	1,228,029
Share of exchange translation reserve of associate	5,830	13,019	32,857	50,566
Movement in surplus/ (deficit) on revaluation of investments - net of tax				
- Equity shareholders of the bank	(9,006,601)	6,439,804	2,913,398	1,683,289
	(9,006,601)	6,439,804	2,913,398	1,683,289
Movement in share of surplus / deficit on revaluation of associated undertaking- net of tax				
	127,939	(110,516)	(77,388)	(104,157)
	(9,005,503)	7,041,775	2,435,547	2,857,727
Items that will not be reclassified to profit and loss account in subsequent periods:				
Remeasurement loss on defined benefit obligations - net of tax	-	(1,738,103)	-	(534,194)
	-	(1,738,103)	-	(534,194)
Total comprehensive income	1,032,544	28,815,552	8,176,728	18,486,339
Attributable to:				
- Equity shareholders of the bank	975,858	28,710,391	8,165,534	18,475,990
- Non-controlling interest	56,686	105,161	11,194	10,349
	1,032,544	28,815,552	8,176,728	18,486,339

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

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

S. M. Muneer
Director

Salman Khalid Butt
Director

Muhammad Ali Zeb
Director

Consolidated Condensed Interim Statement of Changes In Equity (Un-audited)
For The Nine Months Period Ended September 30, 2020



	Share capital	Share premium	Capital reserve	Non-distributable capital reserve	Exchange translation reserve	Statutory reserve	Revenue reserve	General reserve	Surplus/(deficit) on revaluation of investments	Associate	Fixed / non-banking assets	Unappropriated profit	Sub total	Non-controlling interest	Total
Balance as at December 31, 2019	11,850,000	23,972,024	908,317	-	1,607,782	29,285,450	18,600,000	-	(2,812,615)	251,246	12,979,244	53,971,079	150,614,127	706,752	151,322,879
Total comprehensive income for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	1,683,289	(104,157)	-	16,152,480	16,152,480	10,326	16,162,806
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	1,278,572	-	-	-	1,683,289	(104,157)	-	16,152,480	16,152,480	10,326	16,162,806
Other comprehensive income - net of tax	-	-	-	-	1,278,572	-	-	-	1,683,289	(104,157)	-	16,152,480	16,152,480	10,326	16,162,806
Transfer to statutory reserve	-	-	-	-	-	1,628,871	-	-	-	-	-	(1,628,871)	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	-	-	40,582	-	-	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	-	-	-	10,549	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend at Rs. 4.0 per share - December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - March 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - June 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at Sep 30, 2019	11,850,000	23,972,024	908,317	-	2,886,354	30,914,321	18,600,000	-	(1,129,326)	147,088	12,928,099	53,781,119	154,863,397	718,101	155,581,498
Change in equity for three months period ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the three months period ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit after taxation for the three months period ended December 31, 2019	-	-	-	-	(156,000)	-	-	-	8,455,577	197,073	7,204,465	7,715,769	7,715,769	68,638	7,844,405
Other comprehensive income - net of tax	-	-	-	-	(156,000)	-	-	-	8,455,577	197,073	7,204,465	7,715,769	7,715,769	68,638	7,844,405
Transfer to statutory reserve	-	-	-	-	-	789,013	-	-	-	-	-	(789,013)	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	-	-	13,508	-	-	-
Surplus realized on disposal of non-banking assets - net of tax	-	-	-	-	-	-	-	-	-	-	-	37,883	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 4.0 per share - September 30, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2019	11,850,000	23,972,024	908,317	-	2,730,354	31,683,134	18,600,000	-	4,326,251	344,762	20,081,193	56,108,779	170,606,444	740,403	171,346,847
Total comprehensive income for the nine months period ended September 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit after taxation for the nine months period ended September 30, 2020	-	-	-	-	712,471	-	-	-	8,459,804	(110,516)	-	28,426,735	23,406,735	105,145	23,511,880
Other comprehensive income - net of tax	-	-	-	-	712,471	-	-	-	8,459,804	(110,516)	-	28,426,735	23,406,735	105,145	23,511,880
Transfer to statutory reserve	-	-	-	-	-	2,303,512	-	-	-	-	-	(2,303,512)	-	-	-
Transfer in respect of incremental depreciation from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	-	-	68,164	-	-	-
Surplus realized on disposal of revalued fixed assets - net of tax	-	-	-	-	-	-	-	-	-	-	-	22,546	-	-	-
Surplus realized on disposal of non-banking assets - net of tax	-	-	-	-	-	-	-	-	-	-	-	4,774	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Final cash dividend at Rs. 5.0 per share - December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim cash dividend at Rs. 5.0 per share - March 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of dividend attributable to Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2020	11,850,000	23,972,024	908,317	-	3,442,825	33,986,646	18,600,000	-	10,766,055	234,246	19,985,710	63,718,722	197,466,205	810,521	198,276,726

For details of dividend declaration and appropriations, please refer note 40 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 42 form an integral part of these consolidated condensed interim financial statements.

Imran Maqbool
President / CEO

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Chief Financial Officer

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Director

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Director

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Director

MCB Bank Limited & Subsidiary Companies

Consolidated Condensed Interim Cash Flow Statement (Un-audited) For The Nine Months Period Ended September 30, 2020



Note	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	-----Rupees in '000-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	39,433,804	27,489,964
Less: Dividend income and share of profit of associates	(1,148,062)	(1,202,784)
	38,285,742	26,287,180
Adjustments:		
Depreciation on fixed assets	30 1,787,456	1,642,213
Depreciation on right of use assets	30 1,291,383	1,193,657
Depreciation on non-banking assets acquired in satisfaction of claims	30 22,835	34,815
Amortization	30 350,371	290,609
Provisions / (reversals) and write offs - net	32 5,189,574	1,823,093
Workers welfare fund	767,073	551,441
Gain on sale of fixed assets and non-banking assets acquired-net	29 (47,799)	(76,803)
Charge / (reversal) for defined benefit plans	263,546	9,825
Interest expensed on lease liability against right-of-use assets	1,358,910	691,958
Unrealized (gain)/loss on revaluation of investments classified as held for trading	28 (54,426)	41,815
	10,928,923	6,202,623
	49,214,665	32,489,803
Decrease / (increase) in operating assets		
Lendings to financial institutions	3,092,317	24,957,038
Held-for-trading securities	(23,187,494)	3,977,983
Advances	19,819,131	19,110,736
Others assets (excluding advance taxation)	17,625,452	(9,060,999)
	17,349,406	38,984,758
Increase / (decrease) in operating liabilities		
Bills Payable	(1,632,724)	(6,588,807)
Borrowings from financial institutions	40,119,333	(13,451,483)
Deposits	137,812,490	103,872,366
Other liabilities (excluding current taxation)	(20,546,262)	2,912,467
	155,752,837	86,744,543
Defined benefits paid	(233,433)	(238,381)
Income tax paid	(10,328,829)	(2,375,252)
Net cash flow from operating activities	211,754,646	155,605,471
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(211,785,245)	(122,338,902)
Net investments in held-to-maturity securities	16,768,806	(329,608)
Dividends received	601,932	840,739
Investments in fixed assets	(1,917,693)	(3,874,993)
Investments in Intangible assets	(141,486)	(578,679)
Proceeds from sale of fixed assets	64,846	141,417
Proceeds from sale of non-banking assets acquired in satisfaction of claims	39,000	40,000
Investments in non-banking assets acquired in satisfaction of claims	-	(64,445)
Effect of translation of net investment in foreign branches and subsidiaries	712,471	1,228,029
Net cash flow used in investing activities	(195,657,369)	(124,936,442)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of subordinated debt	-	(3,891,019)
Payment of lease liability against right-of-use-assets	(1,645,992)	(1,707,715)
Dividend paid	(11,784,023)	(14,108,885)
Net cash flow used in financing activities	(13,430,015)	(19,707,619)
Effects of exchange rate changes on cash and cash equivalents	3,189,458	3,835,293
Increase in cash and cash equivalents	5,856,720	14,796,703
Cash and cash equivalents at beginning of the period	159,797,050	117,721,724
Cash and cash equivalents at end of the period	165,653,770	132,518,427

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

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

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Director

Salman Khalid Butt
Director

Muhammad Ali Zeb
Director

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



1. STATUS AND NATURE OF BUSINESS

The Group consists of:

- Holding Company - MCB Bank Limited

Subsidiary Companies

"Percentage holding of
MCB Bank Limited"

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

100%
51.33%
99.94%
100%
95.90%

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on the Pakistan stock exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,402 branches (2019: 1,399 branches) within Pakistan and 11 branches (2019: 11 branches) outside Pakistan (including the Karachi Export Processing Zone branch).

- The board of directors of the Bank has approved the winding up of Financial & Management Services (Private) Limited. The Bank holds 95.90% shareholding of the Company.
- The Bank is in the process of disposal of its wholly owned subsidiary "MCB Financial Services Limited" subject to all regulatory and shareholders approvals.

2. BASIS OF PREPARATION

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

- 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 nine months period ended September 30, 2020 and the carrying value of investments held by the parent is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.
- 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 nine months period ended September 30, 2020.
- Non-controlling interest is that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

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

The financial results of the Group's Islamic Banking business have been consolidated in these financial statements for reporting purposes, after eliminating material inter-group transactions / balances. Key financial figures of the Islamic Banking business are disclosed in note 39 to these consolidated condensed interim financial statements.

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

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



3. STATEMENT OF COMPLIANCE

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

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

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

3.2 The State Bank of Pakistan has deferred the applicability of International Financial Reporting Standard 9, 'Financial Instruments' through BPRD Circular No. 04 of 2019 dated October 23, 2019 and International Accounting Standards 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

3.4 The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 05 of 2019 dated March 22, 2019 and IAS 34, Interim Financial Reporting. These 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, 2019.

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

There are certain new standards and interpretations of and amendments to existing accounting standards that have become applicable to the Group for accounting periods beginning on or after January 1, 2020. These are considered either to not be relevant or not to have any significant impact on the Bank's consolidated condensed interim financial statements.

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

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

Effective date (annual periods beginning on or after)

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

The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, as per BPRD Circular No. 04 of 2019 dated October 23, 2019 of SBP, effective date of IFRS 9 implementation is January 01, 2021.

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



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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 The significant accounting policies and methods of computation adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the audited annual consolidated financial statements of the Group for the year ended December 31, 2019.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements are the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2019 except as explained in note 6.1.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2019. These risk management policies continue to remain robust and the Group is reviewing its portfolio regularly and conducts rapid portfolio reviews in line with emerging risks.

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

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

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

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

6.1 Credit Risk Management

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

As the full potential effect of the economic stress posed by the COVID-19 outbreak is difficult to predict, the management has exercised prudence and booked General Provision of Rs. 5.4 billion during the nine months period ended September 30, 2020.

6.2 Liquidity Risk Management

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

6.3 Equity Risk Management

During the period, an impairment loss of Rs 1,751.877 million was triggered from the valuation of listed equity securities held as Available for Sale (AFS). SBP via BPRD Circular Letter No. 13 of 2020 Para 4 (c) has provided regulatory relief to Banks / DFIs to recognize impairment losses resulting from the valuation of listed equity securities held as AFS, in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. However, the Group has recognized full impairment impact of Rs 1,751.877 million in these consolidated condensed interim financial statements.

6.4 Operational Risk Management

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

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



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

6.5 Capital Adequacy Ratio (CAR)

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

6.6 Suspension of Dividends

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

7. CASH AND BALANCES WITH TREASURY BANKS

In hand

Local currency
Foreign currencies

	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
	23,855,980	20,833,520
	6,049,219	2,802,190
	29,905,199	23,635,710

With State Bank of Pakistan in

Local currency current accounts
Foreign currency current accounts
Foreign currency deposit accounts

	57,848,653	62,180,493
	782,126	599,384
	11,488,151	14,320,863
	70,118,930	77,100,740

With other central banks in

Foreign currency current accounts

	18,700,253	16,220,148
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With National Bank of Pakistan in

Local currency current accounts

	16,415,228	25,666,525
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Prize bonds

	57,791	334,235
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	135,197,401	142,957,358
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8. BALANCES WITH OTHER BANKS

In Pakistan

In current account
In deposit account

	9,440	9,183
	10,492	4,378,142
	19,932	4,387,325

Outside Pakistan

In current accounts
In deposit accounts

	25,988,738	12,845,556
	4,688,939	4,138,872
	30,677,677	16,984,428
	30,697,609	21,371,753

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings
Repurchase agreement lendings (Reverse Repo)
Musharaka arrangements
Bai Muajjal receivable - with State Bank of Pakistan

	1,915,587	-
	224,175	209,205
	-	2,480,000
	828,790	3,371,664
	2,968,552	6,060,869

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



	Unaudited September 30, 2020				Audited December 31, 2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
10. INVESTMENTS								
10.1 Investments by type:								
Held-for-trading securities								
Federal Government Securities	32,493,920	-	(6,688)	32,487,232	9,479,849	-	(4,128)	9,475,721
Shares	1,320,248	-	61,114	1,381,362	1,062,839	-	88,114	1,150,953
	33,814,168	-	54,426	33,868,594	10,542,688	-	83,986	10,626,674
Available-for-sale securities								
Federal Government Securities	885,691,430	(3,967)	14,273,856	899,961,319	677,027,359	-	4,973,965	682,001,324
Shares and units	26,493,032	(11,033,042)	2,219,917	17,679,907	26,846,236	(11,207,932)	1,673,181	17,311,485
Non Government Debt Securities	2,957,372	-	25,198	2,982,570	2,428,773	-	(4,671)	2,424,102
Foreign Securities	6,617,776	-	44,191	6,661,967	3,657,020	-	13,295	3,670,315
	921,759,610	(11,037,009)	16,563,162	927,285,763	709,959,388	(11,207,932)	6,655,770	705,407,226
Held-to-maturity securities								
Federal Government Securities	7,884,231	(1,291)	-	7,882,940	18,908,076	(2,211)	-	18,905,865
Provincial Government Securities	118	(118)	-	-	118	(118)	-	-
Non Government Debt Securities	9,789,361	(606,616)	-	9,182,745	10,442,925	(533,788)	-	9,909,137
Foreign Securities	3,229,202	(28,734)	-	3,200,468	8,320,599	(3,569)	-	8,317,030
	20,902,912	(636,759)	-	20,266,153	37,671,718	(3,569)	-	37,132,032
Associates	4,412,026	-	-	4,412,026	4,275,658	-	-	4,275,658
Total Investments	980,888,716	(11,673,768)	16,617,588	985,832,536	762,449,452	(11,747,618)	6,739,756	757,441,590

10.1.1 Investments given as collateral

- Market Treasury Bills
- Pakistan Investment Bonds

	Unaudited September 30, 2020	Audited December 31, 2019
	Rupees in '000	
	38,520,874	22,820,226
	13,558,334	5,316,208
	52,079,208	28,136,434
	11,747,618	8,746,566
	14,977	251
	1,801,180	3,452,808
	(1,890,007)	(29,964)
	(88,827)	(422,043)
	-	3,000,801
	11,673,768	-
		11,747,618

10.2 Provision for diminution in value of investments

10.2.1 Opening balance

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

Amounts written off
Closing Balance



10.2.2 Particulars of provision against debt securities

Category of classification	Unaudited September 30, 2020		Audited December 31, 2019	
	NPI	Provision	NPI	Provision
	-----Rupees in '000-----			
Domestic				
Doubtful	-	-	145,656	72,828
Loss	606,734	606,734	461,078	461,078
	606,734	606,734	606,734	533,906

10.2.3 In addition to the above, overseas branches hold a general provision of Rs 33.992 million (December 31, 2019: Rs 5.780 million) in accordance with the requirements of IFRS 9.

10.3 The market value of securities classified as held-to-maturity as at September 30, 2020 amounted to Rs. 17,443.609 million (December 31, 2019: Rs. 34,042.566 million).

10.4 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at September 30, 2020 amounted to Rs. 2,807.000 million (2019: Rs. 2,946.300 million).

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

	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
Opening balance	4,211,707	3,959,039
Share of profit for the period / year before tax	540,686	326,755
Dividend from associate	(105,000)	(175,000)
Share of tax	(123,607)	(109,675)
	312,079	42,080
Share of other comprehensive income	(149,992)	210,588
Closing balance	4,373,794	4,211,707
Share of other comprehensive income		
Share of unrealized surplus on assets -net of tax	(163,011)	167,219
Share of exchange translation reserve of associate	13,019	43,369
	(149,992)	210,588

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

Investment in Euronet Pakistan Private Limited under equity method - holding 30% (2019: 30.00%)

	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
Opening balance	63,951	60,487
Share of (loss) / profit for the period / year before tax	(21,834)	12,878
Share of tax	(3,885)	(9,414)
	(25,719)	3,464
Closing balance	38,232	63,951



11. ADVANCES

Loans, cash credits, running finances, etc.
Islamic financing and related assets
Bills discounted and purchased
Advances - gross
Provision against advances
- Specific
- General
Advances - net of provision

11.1 Particulars of advances (Gross)

In local currency
In foreign currencies

11.2 Advances include Rs. 50,997,937 million (2019: Rs. 49,805,686 million) which have been placed under the non-performing status as detailed below:

Category of Classification

Domestic	
Other Assets Especially Mentioned	
Substandard	
Doubtful	
Loss	
Overseas	
Not past due but impaired	
Overdue by:	
Upto 90 days	
91 to 180 days	
181 to 365 days	
> 365 days	
Total	

11.2.1

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

Performing	Non Performing		Total
	Unaudited September 30, 2020	Audited December 31, 2019	
Unaudited September 30, 2020	Audited December 31, 2019	Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
428,708,211	471,613,945	49,543,181	48,759,157
77,110,596	50,965,243	789,603	381,427
15,241,458	19,486,758	665,153	665,102
521,060,265	542,065,946	50,997,937	49,805,686
(6,878,015)	-	(41,915,496)	(41,937,761)
(6,878,015)	(1,461,011)	-	(6,878,015)
514,182,250	(1,461,011)	(41,915,496)	(41,937,761)
	540,604,935	9,082,441	(48,793,511)
			523,264,691
			(43,398,772)
			548,472,860
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2020		September 30, 2020	December 31, 2019
529,988,434		529,988,434	532,760,442
42,069,768		42,069,768	59,111,190
572,058,202		572,058,202	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
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-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
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-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
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Unaudited		Unaudited	Audited
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Unaudited		Unaudited	Audited
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Unaudited		Unaudited	Audited
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-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
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Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
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-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
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-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
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Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
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591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
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532,760,442		532,760,442	591,871,632
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591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
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591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
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Unaudited		Unaudited	Audited
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-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
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-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
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59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
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-----Rupees in '000-----			
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532,760,442		532,760,442	591,871,632
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-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
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591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	591,871,632
591,871,632		591,871,632	591,871,632
-----Rupees in '000-----			
Unaudited		Unaudited	Audited
September 30, 2019		September 30, 2019	December 31, 2019
532,760,442		532,760,442	591,871,632
59,111,190		59,111,190	59

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020

11.3 Particulars of provision against advances



	Unaudited September 30, 2020			Audited December 31, 2019		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000-----					
Opening balance	41,937,761	1,461,011	43,398,772	41,944,267	1,292,113	43,236,380
Exchange adjustments	186,883	21,193	208,076	302,297	23,426	325,723
Charge for the period / year	1,348,520	5,475,288	6,823,808	3,359,542	174,710	3,534,252
Reversals	(1,346,848)	(79,477)	(1,426,325)	(3,649,841)	(29,238)	(3,679,079)
	1,672	5,395,811	5,397,483	(290,299)	145,472	(144,827)
Amounts written off	(210,820)	-	(210,820)	(18,504)	-	(18,504)
Closing balance	41,915,496	6,878,015	48,793,511	41,937,761	1,461,011	43,398,772

11.3.1 State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009, BSD Circular No. 02 of 2010 dated June 03, 2010 and BSD Circular No.1 of 2011 dated October 21, 2011 has allowed benefit of forced sale value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for five years from the date of classification. The Bank (holding company) has not taken the FSV benefit in calculation of specific provision. However, one of the subsidiary of the Bank has availed benefit of forced sale values amounting to Rs.509.551 million (December 31, 2019: Rs.178.374 million) in determining the provisioning against non-performing Islamic financing and related assets as at September 30, 2020. The additional benefit on the Group's statement of profit and loss arising from availing the FSV benefit - net of tax amounts to Rs 331.603 million as at September 30, 2020 (December 31, 2019: Rs 115.943 million). However, the additional impact on profitability arising from availing the benefit of forced sales value is not available for payment of cash or stock dividends to shareholders.

11.3.2 General provision against consumer loans represents provision maintained against fully secured performing portfolio and unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provision against Small Enterprise Finance represents provision maintained at an amount equal to 1% of unsecured performing portfolio as required by the Prudential Regulations issued by the SBP. General provisions pertaining to overseas advances are made in accordance with the requirements of the regulatory authorities of the respective countries in which the overseas branches operate.

11.3.3 This includes reversal of provisions and reduction of non-performing loans amounting to Rs. 83.542 million (2019: Rs. NIL) as a result of settlement on debt asset swap arrangement with customers.

11.3.3 In addition, the Bank has also maintained a general provision of Rs 5,992.561 million (December 31, 2019: Rs 527 million) against financing made on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations as explained in note 6.1.

12. FIXED ASSETS

Capital work-in-progress
Property and equipment
Right-of-use assets

12.1 Capital work-in-progress

Civil works
Equipment
Advances to suppliers
Others

Note	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
12.1	1,098,350	1,068,429
	52,484,485	52,466,540
	9,681,389	10,666,838
	63,264,224	64,201,807
	890,498	476,799
	17,378	90,946
	178,585	491,968
	11,889	8,716
	1,098,350	1,068,429

Unaudited Nine Months ended September 30, 2020	Unaudited Nine Months ended September 30, 2019
-----Rupees in '000-----	
136,654	387,467

12.2 Additions to fixed assets

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

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

136,654	387,467
153,355	822,582
489,934	1,183,982
168,214	-
553,182	945,350
159,151	165,863
203,929	290,095
53,274	79,654
1,781,039	3,487,526
1,917,693	3,874,993

12.3 Disposal of fixed assets

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

Freehold land
Vehicles
Furniture and fixture
Electrical office and computer equipment
Building on freehold land
Total

-	21,000
11,762	38,762
1,406	792
3,034	3,777
4,821	283
21,023	64,614

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



13. INTANGIBLE ASSETS

Capital work-in-progress
Goodwill
Management rights
Computer software

Note	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
	339,397	472,336
	82,127	82,127
	192,000	192,000
	1,165,884	1,232,512
	1,779,408	1,978,975

13.1 Additions to intangible assets

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

Capital work-in-progress
Directly purchased

Unaudited September 30, 2020	Unaudited September 30, 2019
-----Rupees in '000-----	
22,655	124,497
118,831	454,182
141,486	578,679

14. OTHER ASSETS

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

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

14.1 Provision held against other assets

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

14.1.1 Movement in provision held against other assets

Opening balance
Charge for the period / year
Reversals

Amounts written off
Exchange and other adjustments
Closing balance

Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees in '000-----	
14,632,938	24,533,964
687,609	564,667
3,175,812	3,940,446
133,809	133,809
3,284,994	3,251,508
-	77,281
1,364,166	3,848,188
728,178	1,236,517
23,397,534	20,346,205
1,314,559	3,605,121
6,282,856	10,118,430
55,002,455	71,656,136
2,612,616	2,604,137
52,389,839	69,051,999
670,315	677,660
53,060,154	69,729,659
90,938	90,938
490,704	-
2,030,974	2,513,199
2,612,616	2,604,137
2,604,137	2,550,585
2,028	12,587
(27,554)	(36,023)
(25,526)	(23,436)
(15,928)	(3,638)
49,933	80,626
2,612,616	2,604,137

15. CONTINGENT ASSETS

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

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
16. BILLS PAYABLE		
In Pakistan	11,073,796	12,759,834
Outside Pakistan	88,805	35,491
	11,162,601	12,795,325
17. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan		
Under export refinance scheme	33,064,462	36,513,083
Under long term financing facility	21,059,354	18,138,200
Under renewable energy performance platform	83,933	85,062
Under payment of Wages & Salaries	7,660,277	-
Under temporary economic refinance facility	94,467	-
Under financing facility for storage of agricultural produce	205,123	188,809
	62,167,616	54,925,154
Repurchase agreement borrowings	52,046,816	28,099,229
Total secured	114,214,432	83,024,383
Unsecured		
Borrowings from other financial institution	2,292,166	889,161
Call borrowings	-	5,964,830
Overdrawn nostro accounts	241,240	1,342,603
Musharaka arrangements	14,967,812	1,476,705
Others	162,288	162,286
Total unsecured	17,663,506	9,835,585
	131,877,938	92,859,968

18. DEPOSITS AND OTHER ACCOUNTS

	Unaudited September 30, 2020			Audited December 31, 2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	-----Rupees in '000-----					
Customers						
Current deposits	420,960,071	51,028,519	471,988,590	357,303,848	53,340,189	410,644,037
Savings deposits	678,693,829	51,846,765	730,540,594	583,751,817	47,420,170	631,171,987
Term deposits	83,488,504	15,439,072	98,927,576	100,346,882	15,590,901	115,937,783
Others	26,866,280	3,406,334	30,272,614	26,456,179	2,854,010	29,310,189
	1,210,008,684	121,720,690	1,331,729,374	1,067,858,726	119,205,270	1,187,063,996
Financial Institutions						
Current deposits	7,592,043	1,768,486	9,360,529	9,520,075	2,094,703	11,614,778
Savings deposits	13,448,058	25,190	13,473,248	14,992,263	27,986	15,020,249
Term deposits	4,872,470	4,740,808	9,613,278	4,959,099	7,741,444	12,700,543
Others	-	229,086	229,086	-	193,459	193,459
	25,912,571	6,763,570	32,676,141	29,471,437	10,057,592	39,529,029
	1,235,921,255	128,484,260	1,364,405,515	1,097,330,163	129,262,862	1,226,593,025

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



	Note	Unaudited September 30, 2020	Audited December 31, 2019
		-----Rupees in '000-----	
19. DEFERRED TAX LIABILITIES			
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets		1,341,696	1,390,542
- Surplus on revaluation of Non-banking assets		234,611	237,181
- Accelerated tax depreciation		1,989,802	1,961,113
- Receivable from pension fund		460,095	1,261,793
- Business combination		705,218	705,218
- Investments in associated undertaking		1,304,070	1,247,340
- Surplus/deficit on revaluation of investments		5,797,107	2,329,519
		11,832,599	9,132,706
Deductible Temporary Differences on			
- Tax losses carried forward		(759,893)	(949,800)
- Provision against advances		(3,759,902)	(1,726,151)
- Others		(332,723)	(242,532)
		(4,852,518)	(2,918,483)
		6,980,081	6,214,223
20. OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency		7,131,787	23,511,019
Mark-up/ return/ interest payable in foreign currencies		262,229	664,130
Unearned commission and income on bills discounted		259,626	252,842
Accrued expenses		6,003,999	6,310,392
Provision for taxation (provisions less payments)		13,226,144	6,045,948
Workers' welfare fund	20.1	8,640,779	7,873,706
Acceptances	14	23,397,534	20,346,205
Unclaimed / dividends payable		1,706,743	1,605,123
Mark to market loss on forward foreign exchange contracts		1,269,159	4,638,011
Unrealised loss on derivative financial instruments		726,889	1,232,806
Staff welfare fund		4,224	5,727
Provision for employees' compensated absences		1,100,271	939,495
Provision for post retirement medical benefits		2,139,814	1,921,348
Provision for employees' contributory benevolent scheme		255,506	221,193
Retention money		20,657	20,657
Insurance payable against consumer assets		602,473	655,146
Unclaimed balances		925,178	993,105
Duties and taxes payable		925,482	775,694
Charity fund balance		54,394	54,782
Provision against off-balance sheet obligations		46,594	46,581
Security deposits against lease		1,377,822	1,497,296
Branch adjustment account		249,708	-
Lease liability against right of use assets		11,201,323	11,436,633
Others		11,833,379	11,357,674
		93,361,714	102,405,513

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

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

21. RESERVES

	Note	Unaudited September 30, 2020	Audited December 31, 2019
		-----Rupees in '000-----	
Share premium		23,973,024	23,973,024
Non- distributable capital reserve - gain on bargain purchase option	21.1	908,317	908,317
Exchange translation reserve		3,442,825	2,730,354
Statutory reserve	21.2	33,986,646	31,683,134
General reserve		18,600,000	18,600,000
		80,910,812	77,894,829

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



- 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.

22. SURPLUS ON REVALUATION OF ASSETS

	Note	Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
Surplus / (deficit) on revaluation of			
- Available for sale securities	10.1	16,563,162	6,655,770
- Fixed Assets		20,891,701	21,031,256
- Non-banking assets acquired in satisfaction of claims		670,316	677,660
- Associated undertaking		448,233	611,247
		38,573,412	28,975,933
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		5,797,107	2,329,519
- Fixed Assets		1,341,696	1,390,542
- Non-banking assets acquired in satisfaction of claims		234,611	237,181
- Associated undertaking		213,987	266,485
		7,587,401	4,223,727
		30,986,011	24,752,206

23. CONTINGENCIES AND COMMITMENTS

-Guarantees	23.1	188,193,889	180,002,174
-Commitments	23.2	497,216,740	657,101,777
-Other contingent liabilities	23.3	31,164,842	28,352,091
		716,575,471	865,456,042

23.1 Guarantees:

Financial guarantees		150,567,952	141,181,839
Performance guarantees		31,344,539	33,833,099
Other guarantees		6,281,398	4,987,236
		188,193,889	180,002,174

23.2 Commitments:

Documentary credits and short-term trade-related transactions			
- letters of credit		162,332,061	153,036,304
Commitments in respect of:			
- forward foreign exchange contracts	23.2.1	323,715,885	404,891,089
- forward government securities transactions	23.2.2	3,542,928	87,696,638
- derivatives	23.2.3	5,111,182	10,244,806
- commitments to extent credit		786,909	307,755
Commitments for acquisition of:			
- operating fixed assets		1,621,913	859,953
- intangible assets		105,862	65,232
		497,216,740	657,101,777

23.2.1 Commitments in respect of forward foreign exchange contracts

Purchase		174,955,296	216,647,656
Sale		148,760,589	188,243,433
		323,715,885	404,891,089

23.2.2 Commitments in respect of forward government securities transactions

Purchase		2,897,808	82,284,304
Sale		645,120	5,412,334
		3,542,928	87,696,638

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



	Note	Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
23.2.3 Commitments in respect of derivatives			
FX options (notional)			
Purchase		152,662	431,449
Sale		152,662	431,449
		305,324	862,898
Cross Currency Swaps (notional)			
Purchase		2,325,348	4,428,663
Sale		2,480,510	4,636,745
		4,805,858	9,065,408
Interest Rate Swaps (notional)			
Purchase		-	316,500
		5,111,182	10,244,806

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

23.3 Other contingent liabilities

Claims against the Group not acknowledged as debts	23.3.1	31,164,842	28,352,091
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23.3.1 These represent certain claims by third parties against the Group, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.

23.4 Taxation

For assessment year 1988-89 through tax year 2018, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs.8,178 million (2019: Rs. 1,487 million). Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. No provision has been made in these 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 Bank's favour as and when these are taken up by the Appellate Authorities.

24. DERIVATIVE INSTRUMENTS

Unaudited September 30, 2020					
Cross Currency Swaps		Interest Rate Swaps		FX Options	
Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss	Notional Principal	Mark to market gain / loss
-----Rupees in '000-----					
Total					
Hedging	2,325,348	726,306	-	152,662	1,872
Market Making	2,480,510	(725,017)	-	152,662	(1,872)
Audited December 31, 2019					
-----Rupees in '000-----					
Total					
Hedging	4,428,663	1,218,634	316,500	431,449	2,683
Market Making	4,636,745	(1,226,433)	-	431,449	(2,683)

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



	Note	Unaudited September 30, 2020	Unaudited September 30, 2019
-----Rupees in '000-----			
25. MARK-UP/RETURN/INTEREST EARNED			
Loans and advances		40,569,253	47,017,183
Investments		72,612,902	54,078,594
Lendings to financial institutions		1,013,208	3,966,818
Balances with banks		321,585	470,719
		<u>114,516,948</u>	<u>105,533,314</u>
26. MARK-UP/RETURN/INTEREST EXPENSED			
Deposits		47,862,198	49,047,775
Borrowings		4,570,843	7,485,997
Subordinated debt		-	213,604
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,925,089	2,069,364
Unwinding cost of liability against right-of-use assets		1,358,910	691,958
		<u>55,717,040</u>	<u>59,508,698</u>
27. FEE & COMMISSION INCOME			
Branch banking customer fees		1,513,602	1,372,760
Consumer finance related fees		304,344	255,436
Card related fees (debit and credit cards)		2,342,164	2,266,082
Credit related fees		31,737	166,728
Investment banking fee		93,426	113,080
Commission on trade		995,071	1,123,661
Commission on guarantees		450,071	474,953
Commission on cash management		450,157	455,214
Commission on remittances including home remittances		804,572	868,780
Commission income - Bancassurance		878,802	1,049,005
Rent on lockers		172,992	186,711
Commission on utility bills		57,673	75,544
Commission on investments services		526,372	515,002
Other Commission		170,785	125,587
		<u>8,791,768</u>	<u>9,048,543</u>
28. GAIN ON SECURITIES, NET			
Realised	28.1	2,823,021	(145,064)
Unrealised - held for trading	10.1	54,426	(41,815)
		<u>2,877,447</u>	<u>(186,879)</u>
28.1 Realised gain / (loss) on:			
Federal Government Securities		2,922,871	(11,684)
Shares		(103,021)	(133,380)
Others		3,171	-
		<u>2,823,021</u>	<u>(145,064)</u>
29. OTHER INCOME			
Rent on property		21,002	38,590
Gain on conversion of Ijarah agreements		99,689	-
Gain on sale of fixed assets and non banking assets -net		47,799	76,803
		<u>168,490</u>	<u>115,393</u>

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



	Unaudited September 30, 2020	Unaudited September 30, 2019
-----Rupees in '000-----		
30. OPERATING EXPENSES		
Total compensation expense	13,731,829	12,862,709
Property expense		
Rent and taxes	181,423	434,206
Insurance	44,365	42,592
Utilities cost	960,341	943,437
Fuel expense generators	254,084	391,316
Security (including guards)	1,084,453	1,219,627
Repair and maintenance (including janitorial charges)	541,468	772,240
Depreciation on right-of-use assets	1,291,383	1,193,657
Depreciation	617,025	463,551
	<u>4,974,542</u>	<u>5,460,626</u>
Information technology expenses		
Software maintenance	970,846	1,004,683
Hardware maintenance	260,415	315,422
Depreciation	508,485	540,765
Amortisation	350,371	290,609
Network charges	525,900	526,016
Insurance	4,689	3,852
	<u>2,620,706</u>	<u>2,681,347</u>
Other operating expenses		
Directors' fees and allowances	40,062	37,531
Remuneration to shariah board members	7,249	6,136
Legal and professional charges	232,017	274,976
Outsourced services costs	665,116	625,063
Travelling and conveyance	216,397	292,018
NIFT clearing charges	140,972	121,995
Depreciation	661,946	637,897
Depreciation on non-banking assets acquired in satisfaction of claims	22,835	34,815
Training and development	20,950	41,390
Postage and courier charges	223,498	247,133
Communication	263,495	302,952
Stationery and printing	446,939	557,039
Marketing, advertisement & publicity	534,065	636,017
Donations	112,596	100
Auditors' remuneration	31,657	33,351
Cash transportation charges	531,465	566,184
Repair and maintenance	289,330	272,685
Subscription	32,933	20,306
Entertainment	159,372	197,530
Remittance charges	162,328	182,462
Brokerage expenses	44,884	32,225
Card related expenses	615,774	694,580
CNIC verification charges	90,661	168,755
Insurance	1,179,911	1,130,507
Others	178,792	266,906
	<u>6,905,244</u>	<u>7,380,553</u>
	<u>28,232,321</u>	<u>28,385,235</u>

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



	Note	Unaudited September 30, 2020	Unaudited September 30, 2019
-----Rupees in '000-----			
31. OTHER CHARGES			
Penalties of State Bank of Pakistan		186,184	39,998
VAT & National Building tax & Crop Insurance Levy		73,142	131,884
		<u>259,326</u>	<u>171,882</u>
32. PROVISIONS / (REVERSALS) & WRITE OFFS - NET			
(Reversal) / provision against balance with Banks		(1,110)	188
(Reversal) / provision for diminution in value of investments	10.2.1	(88,827)	2,422,971
Provision / (reversal) against loans and advances	11.3	5,397,483	(449,546)
Reversal against other assets	14.1.1	(25,526)	(27,915)
Recovery of written off / charged off bad debts		(92,446)	(122,605)
		<u>5,189,574</u>	<u>1,823,093</u>
33. TAXATION			
Current		17,564,922	10,739,355
Prior years		(7,658)	450,124
Deferred		(1,762,832)	(1,752)
Share of tax of associates		127,492	139,431
		<u>15,921,924</u>	<u>11,327,158</u>
34. BASIC AND DILUTED EARNINGS PER SHARE			
-----Rupees in '000-----			
Profit after tax attributable to Equity Shareholders of the Bank		<u>23,406,735</u>	<u>16,152,480</u>
-----Number-----			
Weighted average number of ordinary shares		<u>1,185,060,006</u>	<u>1,185,060,006</u>
-----Rupees-----			
Basic and diluted earnings per share		<u>19.75</u>	<u>13.63</u>

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



35. FAIR VALUE MEASUREMENTS

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

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

In the opinion of the management, the fair value of the financial assets and financial liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or re-priced over short term.

35.1 Fair value of financial assets

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

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

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

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

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

Item	Valuation approach and input used
Federal Government securities	The fair values of Federal Government securities are determined using the PKRV rates.
Term Finance and Bonds	Investments in debt securities (comprising term finance certificates, bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.
Foreign exchange contracts	The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
Derivatives	The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration etc.
Operating fixed assets (land and building) & NBA	Land and buildings are revalued every three years using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020

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



Unaudited September 30, 2020					
	Carrying value	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	932,448,551	-	932,448,551	-	932,448,551
Shares	17,644,734	17,644,734	-	-	17,644,734
Non-Government Debt Securities	2,982,570		2,982,570	-	2,982,570
Foreign Securities	6,661,967	-	6,661,967	-	6,661,967
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares and associates)	26,094,714	-	-	-	-
Cash and balances with treasury banks	135,197,401	-	-	-	-
Balances with other banks	30,697,609	-	-	-	-
Lendings to financial institutions	2,968,552	-	-	-	-
Advances	523,264,691	-	-	-	-
Other assets	44,571,603	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	44,770,873	-	44,770,873	-	44,770,873
Non-banking assets	3,864,371	-	3,864,371	-	3,864,371
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	174,955,296	-	675,353	-	675,353
Forward sale of foreign exchange	148,760,589	-	770,360	-	770,360
Derivatives purchase	2,478,010	-	728,178	-	728,178
Derivatives sale	2,633,172	-	726,889	-	726,889
Audited December 31, 2019					
	Carrying value	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	691,477,045	-	691,477,045	-	691,477,045
Shares	17,075,189	17,075,189	-	-	17,075,189
Non-Government Debt Securities	2,424,102		2,424,102	-	2,424,102
Foreign Securities	3,663,065	-	3,663,065	-	3,663,065
Financial assets - disclosed but not measured at fair value					
Investments (HTM, AFS, unlisted ordinary shares, subsidiaries and associates)	42,802,189	-	-	-	-
Cash and balances with treasury banks	142,957,358	-	-	-	-
Balances with other banks	21,371,753	-	-	-	-
Lendings to financial institutions	6,060,869	-	-	-	-
Advances	548,472,860	-	-	-	-
Other assets	58,219,618	-	-	-	-
Non - Financial Assets measured at fair value					
Operating fixed assets (land and buildings)	44,882,204	-	44,882,204	-	44,882,204
Non-banking assets	3,838,230	-	3,838,230	-	3,838,230
Off-balance sheet financial instruments - measured at fair value					
Forward purchase of foreign exchange	216,647,656	-	4,142,227	-	4,142,227
Forward sale of foreign exchange	188,243,433	-	3,352,404	-	3,352,404
Derivatives purchase	5,176,612	-	1,232,827	-	1,232,827
Derivatives sale	5,068,194	-	1,229,116	-	1,229,116

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



Unaudited Nine months ended September 30, 2020									
	Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	Islamic Banking	Asset Management	others	Total
	-----Rupees in '000-----								
Profit & Loss									
Net mark-up/return/profit	45,408,889	271,765	496,767	82,541,228	27,910,879	8,638,969	26,510	600,003	165,895,010
Inter segment revenue - net	-	-	-	927,376,076	13,919,308	28,677,706	1,292,115	3,901,939	985,832,536
Non mark-up / return / interest income	1,055,576,557	-	-	-	-	-	-	203,510,755	1,259,087,312
Total income	89,362,450	24,396,540	302,381,657	-	20,584,131	76,991,056	-	466,416	514,182,250
Segment direct expenses	428,068	225,743	1,767,200	-	5,160,500	767,876	-	735,054	9,082,441
Inter segment expense allocation	34,959,595	2,120,226	26,036,064	6,094,924	3,829,949	11,421,166	1,018,493	32,623,369	118,103,786
Total expenses	1,225,735,559	27,014,274	341,347,080	1,016,012,228	73,544,529	127,325,563	2,337,118	241,835,536	3,055,151,887
Provisions	48,204,154	-	9,688,767	50,455,419	3,684,474	19,404,794	-	440,330	131,877,938
Profit before tax	1,155,916,525	20,033,549	48,619,621	-	50,277,752	89,558,088	-	-	1,364,405,515
	-	4,319,663	263,626,652	964,480,457	14,347,796	10,647,968	1,664,776	-	1,259,087,312
	21,614,880	2,661,062	19,412,040	1,076,352	5,234,507	7,714,733	672,342	53,118,480	111,504,396
	1,225,735,559	27,014,274	341,347,080	1,016,012,228	73,544,529	127,325,563	2,337,118	241,835,536	3,055,151,887
	-	-	-	-	-	-	-	-	-
	1,225,735,559	27,014,274	341,347,080	1,016,012,228	73,544,529	127,325,563	2,337,118	241,835,536	3,055,151,887
	61,489,790	-	269,790,277	327,828,103	-	18,755,681	-	32,216,900	716,575,471
Balance Sheet									
Cash & Bank balances	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Net inter segment lending	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	-	-	-	-	-	-	-	-	-
Advances - performing	-	-	-	-	-	-	-	-	-
Advances - non performing	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Total Assets	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-
Deposits & other accounts	-	-	-	-	-	-	-	-	-
Net inter segment borrowing	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-
Total Equity & liabilities	-	-	-	-	-	-	-	-	-
Contingencies & Commitments	-	-	-	-	-	-	-	-	-

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



	Un-audited Nine months ended September 30, 2019										
	Retail Banking	Consumer banking	Corporate Banking	Treasury	International Banking	Islamic Banking	Asset Management	others	Sub-total	Eliminations	Total
								-Rupees in '000-			
Profit & Loss											
Net mark-up/return/profit	(34,490,737)	2,885,940	26,058,619	47,124,717	1,415,452	2,953,895	1,931	74,799	46,024,616	-	46,024,616
Inter segment revenue - net	69,577,999	(1,890,012)	(22,858,118)	(50,444,377)	(126,761)	-	-	5,741,269	-	-	-
Non mark-up / return / interest income	4,660,583	1,483,471	2,621,692	1,682,229	480,706	186,009	507,405	764,904	12,396,999	-	12,396,999
Total Income	39,747,845	2,489,399	5,822,193	(1,637,431)	1,769,397	3,139,904	509,336	6,580,972	58,421,615	-	58,421,615
Segment direct expenses	15,915,278	995,574	401,626	229,179	990,651	3,335,812	438,492	6,801,946	29,108,558	-	29,108,558
Inter segment expense allocation											
Total expenses	15,915,278	995,574	401,626	229,179	990,651	3,335,812	438,492	6,801,946	29,108,558	-	29,108,558
Provisions	(101,780)	(24,517)	478,967	2,219,990	32,163	212,480	-	(994,210)	1,823,093	-	1,823,093
Profit before tax	23,934,347	1,518,342	4,941,600	(4,086,600)	746,583	(408,398)	70,844	773,236	27,489,964	-	27,489,964
Balance Sheet											
Cash & Bank balances	50,154,942	21,483	676,139	65,572,277	28,149,362	19,075,532	28,347	651,029	164,329,111	-	164,329,111
Investments	-	-	10,639,292	710,593,710	15,011,692	16,309,796	1,055,226	3,832,874	757,441,590	-	757,441,590
Net inter segment lending	940,015,023	-	-	-	-	-	-	164,180,279	1,104,195,302	(1,104,195,302)	-
Lendings to financial institutions											
Advances - performing	98,464,054	24,342,756	341,191,287	-	209,206	5,851,663	-	60,860,869	6,060,869	-	6,060,869
- non performing	1,074,787	113,148	23,393,494	-	25,190,939	50,931,880	5,169	478,850	540,604,935	-	540,604,935
					4,836,865	378,087	-	227,544	7,867,925	-	7,867,925
Others	34,759,967	1,882,259	25,393,004	13,804,785	2,368,787	11,538,184	1,060,486	45,102,959	135,910,441	-	135,910,441
Total Assets	1,124,468,773	26,359,646	379,136,216	789,970,772	75,766,851	104,085,142	2,149,238	214,473,535	2,716,410,173	(1,104,195,302)	1,612,214,871
Borrowings	45,355,966	-	7,057,504	32,270,471	3,520,222	4,127,525	-	528,280	92,859,968	-	92,859,968
Deposits & other accounts	1,033,790,838	-	55,425,048	-	55,523,628	81,853,511	-	-	1,226,593,025	-	1,226,593,025
Net inter segment borrowing											
Others	45,321,969	2,234,738	17,002,826	1,733,052	4,258,279	7,637,305	628,454	42,598,438	121,415,061	(1,104,195,302)	-
Total liabilities	1,124,468,773	26,359,646	379,136,216	789,970,772	75,766,851	104,085,142	2,149,238	43,128,718	2,545,063,386	(1,104,195,302)	1,440,868,084
Equity								171,346,817	171,346,817	-	171,346,817
Total Equity & Liabilities	1,124,468,773	26,359,646	379,136,216	789,970,772	75,766,851	104,085,142	2,149,238	214,473,535	2,716,410,173	(1,104,195,302)	1,612,214,871
Contingencies & Commitments	48,973,361	-	262,455,692	496,556,621	14,015,586	18,397,458	-	25,057,324	865,456,042	-	865,456,042

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.

MCB Bank Limited & Subsidiary Companies**Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)**
For The Nine Months Period Ended September 30, 2020

	Unaudited September 30, 2020				Audited December 31, 2019			
	Directors	Key Management Personnel	Associates	Other Related Parties	Directors	Key Management Personnel	Associates	Other Related Parties
Balances with other banks								
In current accounts	-	-	-	1,446	-	-	-	14,389
	-	-	-	1,446	-	-	-	14,389
Lendings to Financial Institutions								
Opening balance	-	-	-	-	-	-	-	-
Addition during the period / year	-	-	-	-	-	-	-	-
Repaid during the period / year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
Investments								
Opening balance	-	-	4,275,658	254,253	-	-	4,019,526	254,253
Equity method adjustments	-	-	136,368	-	-	-	256,132	-
Closing balance	-	-	4,412,026	254,253	-	-	4,275,658	254,253
Provision for diminution in value of investments								
	-	-	-	5,000	-	-	-	5,000
Advances								
Opening balance	1,722	129,048	-	339,520	658	141,390	-	1,050,277
Addition / exchange adjustment during the period / year	11,225	20,836	356,898	331,810	29,148	62,216	-	1,642,434
Repaid / exchange adjustment during the period / year	(11,680)	(17,146)	-	(312,179)	(28,084)	(55,470)	-	(1,558,481)
Transfer in / (out)	-	(181)	-	(220,438)	-	(19,087)	-	(794,710)
Closing balance	1,266	132,558	356,898	138,713	1,722	129,049	-	339,520
Provision held against advances	-	-	-	-	-	-	-	-

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



	Unaudited September 30, 2020				Audited December 31, 2019			
	Directors	Key Management Personnel	Associates	Other Related Parties	Directors	Key Management Personnel	Associates	Other Related Parties
(Rupees in '000)								
Other Assets								
Markup receivable	-	2,859	897	1,941	-	3,202	-	5,191
Advances, deposits, advance rent and other prepayments	-	-	293,533	27,265	-	-	246,720	27,080
Receivable from Pension Fund	-	-	-	1,314,559	-	-	-	3,605,121
Provision held against other assets	-	-	-	-	-	-	-	-
Borrowings								
Opening balance	-	-	-	69,166	-	-	-	-
Borrowings / exchange adjustment during the period / year	-	-	-	11,537	-	-	-	144,166
Settled during the period / year	-	-	-	-	-	-	-	(75,000)
Closing balance	-	-	-	80,703	-	-	-	69,166
Deposits and other accounts								
Opening balance	602,381	140,761	3,657,552	4,179,849	3,745,457	168,528	3,339,847	3,212,620
Received during the period / year	472,621	995,624	38,685,214	73,860,810	9,889,584	866,766	22,234,251	62,263,273
Withdrawn during the period / year	(804,283)	(947,075)	(37,905,720)	(71,189,281)	(13,025,336)	(884,532)	(21,916,546)	(61,423,281)
Transfer in / (out) - net	-	(7,959)	-	(503,140)	(7,324)	(10,001)	-	127,237
Closing balance	270,719	181,351	4,437,046	6,348,238	602,381	140,761	3,657,552	4,179,849
Other Liabilities								
Markup payable	204	210	14,047	11,615	7,263	556	50,535	66,906
Accrued expenses and other payable	1,196	-	107,535	21,564	15,326	-	62,402	50
Payable to MCB Employee Security Services	-	-	-	24,222	-	-	-	24,565
Contingencies and Commitments								
Commitments and contingent liabilities - outstanding	-	-	10,592	527,974	-	-	10,444	746,868

Other Assets

Markup receivable
Advances, deposits, advance rent and other prepayments
Receivable from Pension Fund
Provision held against other assets

Borrowings

Opening balance
Borrowings / exchange adjustment during the period / year
Settled during the period / year
Closing balance

Deposits and other accounts

Opening balance
Received during the period / year
Withdrawn during the period / year
Transfer in / (out) - net
Closing balance

Other Liabilities

Markup payable
Accrued expenses and other payable
Payable to MCB Employee Security Services

Contingencies and Commitments

Commitments and contingent liabilities - outstanding

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2020



	Unaudited September 30, 2020				Unaudited September 30, 2019			
	Directors	Key Management Personnel	Associates	Other Related Parties	Directors	Key Management Personnel	Associates	Other Related Parties
(Rupees in '000)								
Income								
Markup / return / interest earned	-	8,175	912	8,438	-	9,293	-	15,655
Fee and commission income	-	-	742,076	964	-	-	901,335	9,167
Dividend income	-	-	105,000	7,933	-	-	105,000	6,800
Gain / (loss) on forward foreign exchange contracts matured during the period	-	-	-	53,120	-	-	-	(75,278)
Net gain / (loss) on sale of securities	72	40	2,227	3,553	-	-	(57)	10,993
Gain on sale of fixed assets	-	39	-	-	-	141	-	-
Rent income and reimbursement of other expenses	-	-	6,665	1,710	-	-	6,646	3,038
Expense								
Markup / return / interest expensed	26,386	1,826	149,134	157,083	116,992	1,733	146,824	265,221
Other Operating expenses								
Clearing expenses paid to NIFT	-	-	-	123,767	-	-	-	109,623
Contribution to provident fund	-	-	-	295,589	-	-	-	276,302
Rent expenses	-	-	31,588	26,424	-	-	-	29,385
Cash sorting expenses	-	-	-	88,237	-	-	-	115,291
Stationery expenses	-	-	-	162,555	-	-	-	179,654
Security guards expenses	-	-	-	247,785	-	-	-	275,539
Remuneration to key executives and non-executive directors fee	137,106	421,288	-	-	127,663	367,190	-	-
Outsourcing service expenses	-	-	209,514	-	-	-	150,885	-
Donation during the year	-	-	-	95,000	-	-	-	-
E-dividend processing fee and CDC charges	-	-	-	3,249	-	-	-	4,658
Travelling Expenses	-	-	-	33,281	-	-	-	25,160
Hotel stay expenses	-	-	-	3,259	-	-	-	1,170
Repair & Maintenance Charges	-	-	-	1,358	-	-	-	1,594
Advertisement Expenses	-	-	-	7,308	-	-	-	8,352
Miscellaneous expenses and payments	-	-	-	1,654	-	-	-	1,739
Insurance premium-net of refund	-	-	533,985	-	-	-	616,308	-
Insurance claim settled	-	-	24,912	-	-	-	53,178	-
Other Transactions								
Proceeds from sale of fixed assets	-	39	-	-	-	141	-	-
Purchase of fixed assets	-	-	3,277	-	-	-	26,373	20,003
Sale of government securities	215,426	94,789	4,054,378	6,390,367	72,522	72,777	4,603,481	21,693,423
Purchase of government securities	19,827	500	1,130,458	653,148	-	58,956	5,412,133	13,183,004
Forward exchange contracts matured during the period	-	-	-	11,446,226	-	-	-	19,827,851

RELATED PARTY TRANSACTIONS

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

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



38 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

38.1 Capital Adequacy

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

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

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

Common Equity Tier 1 Capital Adequacy ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

11,850,600	11,850,600
144,337,628	132,504,188
-	-
144,337,628	132,504,188
40,871,146	28,503,091
185,208,774	161,007,279
633,830,326	662,366,497
136,562,512	113,394,030
126,966,330	126,966,330
897,359,168	902,726,857
16.08%	14.68%
16.08%	14.68%
20.64%	17.84%

38.2 Leverage Ratio (LR):

Eligible Tier-1 Capital

Total Exposures

Leverage Ratio

144,337,628	132,504,188
2,208,755,859	2,037,241,480
6.53%	6.50%

38.3 Liquidity Requirements

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio

935,710,770	734,587,045
407,519,222	379,626,249
229.61%	193.50%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

1,194,929,607	1,045,877,006
689,054,136	745,689,676
173.42%	140.26%

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020



39 ISLAMIC BANKING BUSINESS

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

	Note	Unaudited September 30, 2020	Audited December 31, 2019
-----Rupees in '000-----			
ASSETS			
Cash and balances with treasury banks		7,684,200	10,252,547
Balances with other banks		954,769	8,822,985
Due from financial institutions	39.1	828,790	5,851,664
Investments - net	39.2	28,677,706	16,309,800
Islamic financing and related assets - net	39.3	77,758,932	51,309,967
Fixed assets		5,418,734	5,779,772
Intangible assets		651,248	719,723
Deferred tax assets - net		883,921	921,017
Other assets - net		5,359,559	5,049,786
Total Assets		128,217,859	105,017,261
LIABILITIES			
Bills payable		1,211,658	973,627
Due to financial institutions		19,404,794	4,127,526
Deposits and other accounts	39.4	89,558,068	81,853,511
Liabilities against assets subject to finance lease		-	-
Sub-ordinated debts		-	-
Deferred tax liabilities - net		-	-
Other liabilities		7,395,371	7,595,796
		117,569,891	94,550,460
NET ASSETS		10,647,968	10,466,801
REPRESENTED BY			
Share capital		11,550,000	11,550,000
Reserves		36,474	26,444
Surplus on revaluation of assets - net of tax		419,469	422,326
Accumulated loss		(1,357,975)	(1,531,969)
		10,647,968	10,466,801

CONTINGENCIES AND COMMITMENTS

39.5

MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020

The profit and loss account of the Group's Islamic banking branches for the nine months period ended September 30, 2020 is as follows:

Note	Quarter ended September 30, 2020	Period ended September 30, 2020	Quarter ended September 30, 2019	Period ended September 30, 2019
	-----Rupees in '000-----			
Profit / return earned	2,250,352	7,483,594	2,785,490	7,154,107
Profit / return expensed	1,066,459	4,107,778	1,565,466	4,200,212
Net spread earned	1,183,893	3,375,816	1,220,024	2,953,895
OTHER INCOME				
Fee and commission income	83,078	220,321	64,908	206,060
Dividend income	12,668	30,467	13,082	57,089
Foreign exchange income	73,718	179,261	(37,527)	21,562
Gain / (loss) on securities	4,874	14,464	(69,986)	(113,063)
Other income	55,101	117,958	4,985	14,444
Total other income	229,439	562,471	(24,538)	186,092
Total income	1,413,332	3,938,287	1,195,486	3,139,987
OTHER EXPENSES				
Operating expenses	1,223,337	3,491,956	1,091,784	3,311,671
Workers welfare fund	4,634	10,450	-	-
Other charges	125	185	24,124	24,224
Total other expenses	1,228,096	3,502,591	1,115,908	3,335,895
Profit / (loss) before provisions	185,236	435,696	79,578	(195,908)
Provisions and write offs - net	(33,453)	80,783	62,811	212,480
Extra ordinary / unusual items	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	218,689	354,913	16,767	(408,388)
Taxation	86,065	172,138	14,322	(134,465)
PROFIT / (LOSS) AFTER TAXATION	132,624	182,775	2,445	(273,923)

39.1 DUE FROM FINANCIAL INSTITUTIONS

Secured

Bai Muajjal receivable - with State Bank of Pakistan

Unsecured

Musharaka arrangements

	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
	828,790	3,371,664
	-	2,480,000
	828,790	5,851,664



MCB Bank Limited & Subsidiary Companies

Notes To The Consolidated Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2020

Unaudited September 30, 2020					Audited December 31, 2019			
-----Rupees in '000-----								
	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost /Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
39.2 Investments by type:								
Available-for-sale securities								
Federal Government securities	23,512,576	-	(43,103)	23,469,473	10,899,070	-	(7,384)	10,891,686
Shares	1,848,262	(1,032,412)	191,634	1,007,484	1,908,146	(1,059,172)	175,625	1,024,599
Non Government securities	1,081,500	-	15,922	1,097,422	1,119,000	-	(1,312)	1,117,688
	26,442,338	(1,032,412)	164,453	25,574,379	13,926,216	(1,059,172)	166,929	13,033,973
Held-to-maturity securities								
Federal Government securities	2,700,827	-	-	2,700,827	2,700,827	-	-	2,700,827
Non Government securities	402,500	-	-	402,500	575,000	-	-	575,000
	3,103,327	-	-	3,103,327	3,275,827	-	-	3,275,827
Total Investments	29,545,665	(1,032,412)	164,453	28,677,706	17,202,043	(1,059,172)	166,929	16,309,800

39.3 Islamic financing and related assets

	Unaudited September 30, 2020	Audited December 31, 2019
	-----Rupees in '000-----	
Murabaha	7,949,375	7,609,830
Musawamah	-	2,000
Istisna	4,096,502	2,603,493
Salam	49,273	111,287
Ijarah	3,455,948	4,881,400
Running Musharaka	40,046,409	16,669,096
Diminishing Musharaka	21,162,721	18,176,482
Staff finance	1,139,971	1,293,082
Gross Islamic financing and related assets	77,900,199	51,346,670
Less: provision against Islamic financings		
- Specific	(21,727)	(3,340)
- General	(119,540)	(33,363)
	(141,267)	(36,703)
Islamic financing and related assets - net of provision	77,758,932	51,309,967

39.4 Deposits Customers

Current deposits	27,666,749	22,191,828
Savings deposits	36,503,364	33,716,605
Term deposits	17,695,436	15,122,076
Others	3,330,151	4,918,750
	85,195,700	75,949,259
Financial Institutions		
Current deposits	103,189	100,334
Savings deposits	531,677	1,988,287
Term deposits	3,727,502	3,815,631
	4,362,368	5,904,252
	89,558,068	81,853,511

39.5 Contingencies and Commitments

-Guarantees	7,575,787	6,467,046
-Commitments	13,592,931	11,498,973
-Other contingent liabilities	485,637	431,439
	21,654,355	18,397,458





39.6 Profit/Return Earned of Financing, Investments and Placement

Unaudited September 30, 2020 Unaudited September 30, 2019
-----Rupees in '000-----

Profit earned on:

Financing

Investments

Musharaka arrangements with financial institutions

Deposits with financial institutions

5,441,212	5,461,889
1,712,097	1,266,990
192,786	350,316
137,499	74,912
<u>7,483,594</u>	<u>7,154,107</u>

39.7 Profit on Deposits and other Dues Expensed

Deposits and other accounts

Musharaka arrangements with the State Bank of Pakistan under IERS

Musharaka arrangements with other financial institutions

Musharaka arrangements with other institution

Unwinding of liability against ROU asset

3,520,887	3,556,997
47,673	35,543
234,937	369,934
11,900	4,853
292,381	232,885
<u>4,107,778</u>	<u>4,200,212</u>

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

39.8 Islamic Banking Business Unappropriated Profit

Opening Balance

Movement during the period / year

Islamic Banking profit/(loss) before tax

Taxation

Other adjustments

Closing Balance

(1,531,969)	(1,289,202)
354,913	(365,759)
(172,138)	122,147
(8,781)	845
173,994	(242,767)
<u>(1,357,975)</u>	<u>(1,531,969)</u>

40 EVENTS AFTER THE REPORTING DATE

In compliance with the SBP's instructions as disclosed in note 6.6 to the consolidated condensed interim financial statements, the Board of Directors, in its meeting held on October 27, 2020 has not declared any cash dividend in respect of the quarter ended September 30, 2020 (September 30, 2019: Rs 4 per share). Therefore, there is no non-adjusting event after the balance sheet date.

41 GENERAL

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

42 DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Group in their meeting held on October 27, 2020.

Imran Maqbool
President / CEO

Hammad Khalid
Chief Financial Officer

S. M. Muneer
Director

Salman Khalid Butt
Director

Muhammad Ali Zeb
Director