



MCB Bank Limited

Un-consolidated Condensed Interim Financial Statements  
for six months period ended June 30, 2010

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# MCB Bank Limited

## Unconsolidated Condensed Interim Statement of Financial Position (Un-audited)

As at June 30, 2010

		<b>Unaudited June 30, 2010</b>	Audited December 31, 2009
	<i>Note</i>	----- (Rupees in '000) -----	
<b>Assets</b>			
Cash and balances with treasury banks		<b>44,462,982</b>	38,774,871
Balances with other banks		<b>1,505,594</b>	6,009,993
Lendings to financial institutions	7	<b>16,530,103</b>	3,000,000
Investments - net	8	<b>179,514,638</b>	167,134,465
Advances - net	9	<b>245,058,332</b>	253,249,407
Operating fixed assets		<b>18,118,903</b>	18,014,896
Deferred tax assets - net		-	-
Other assets - net		<b>26,911,392</b>	23,040,095
		<b>532,101,944</b>	509,223,727
<b>Liabilities</b>			
Bills payable		<b>5,370,237</b>	8,201,090
Borrowings	10	<b>13,378,665</b>	44,662,088
Deposits and other accounts	11	<b>419,270,193</b>	367,604,711
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	<b>3,705,176</b>	3,196,743
Other liabilities		<b>17,102,692</b>	15,819,082
		<b>458,826,963</b>	439,483,714
<b>Net assets</b>		<b>73,274,981</b>	69,740,013
<b>Represented by:</b>			
Share capital		<b>7,602,150</b>	6,911,045
Reserves		<b>39,222,532</b>	38,385,760
Un-appropriated profit		<b>17,927,503</b>	15,779,127
		<b>64,752,185</b>	61,075,932
Surplus on revaluation of assets - net of tax		<b>8,522,796</b>	8,664,081
		<b>73,274,981</b>	69,740,013

### Contingencies and commitments

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The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

\_\_\_\_\_  
President and Chief Executive

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Director

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Director

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Director

# MCB Bank Limited

## Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)

For the six months period ended June 30, 2010

	Quarter ended June 30, 2010	Half year ended June 30, 2010	Quarter ended June 30, 2009	Half year ended June 30, 2009
<i>Note</i>	----- (Rupees in '000) -----			
Mark-up / return / interest earned	13,295,156	26,395,968	12,847,323	25,849,695
Mark-up / return / interest expensed	4,322,267	8,699,310	3,857,115	7,765,380
Net mark-up / interest income	<b>8,972,889</b>	<b>17,696,658</b>	8,990,208	18,084,315
Provision against loans and advances - net	<b>1,029,079</b>	<b>1,893,612</b>	1,582,415	3,373,762
Provision for diminution in the value of investments - net	<b>680</b>	<b>124,659</b>	567,677	518,495
Bad debts written off directly	<b>17,948</b>	<b>31,708</b>	-	-
	<b>1,047,707</b>	<b>2,049,979</b>	2,150,092	3,892,257
Net mark-up / interest income after provisions	<b>7,925,182</b>	<b>15,646,679</b>	6,840,116	14,192,058
<b>Non mark-up / interest income</b>				
Fee, commission and brokerage income	<b>1,063,879</b>	<b>2,073,786</b>	897,659	1,782,490
Dividend income	<b>112,259</b>	<b>225,258</b>	92,561	190,024
Income from dealing in foreign currencies	<b>158,413</b>	<b>275,712</b>	(152,758)	279,073
Gain on sale of securities - net	<b>128,640</b>	<b>156,815</b>	20,843	133,332
Unrealized gain on revaluation of investments classified as held for trading	-	-	13,686	1,360
Other income	<b>127,381</b>	<b>259,422</b>	197,896	371,689
Total non mark-up / interest income	<b>1,590,572</b>	<b>2,990,993</b>	1,069,887	2,757,968
	<b>9,515,754</b>	<b>18,637,672</b>	7,910,003	16,950,026
<b>Non-mark-up / interest expenses</b>				
Administrative expenses	<b>3,266,295</b>	<b>5,916,487</b>	2,282,655	4,906,908
Other provisions	<b>4,271</b>	<b>4,308</b>	104,807	107,915
Other charges	<b>284,217</b>	<b>504,756</b>	71,807	246,500
Total non mark-up/interest expenses	<b>3,554,783</b>	<b>6,425,551</b>	2,459,269	5,261,323
	<b>5,960,971</b>	<b>12,212,121</b>	5,450,734	11,688,703
Extra ordinary / unusual item	-	-	-	-
<b>Profit before taxation</b>	<b>5,960,971</b>	<b>12,212,121</b>	5,450,734	11,688,703
Taxation - current period	<b>1,783,526</b>	<b>3,766,817</b>	2,451,359	4,605,510
- prior years	-	-	(23,100)	(85,600)
- deferred	<b>376,361</b>	<b>503,069</b>	(599,043)	(587,696)
	<b>2,159,887</b>	<b>4,269,886</b>	1,829,216	3,932,214
<b>Profit after taxation</b>	<b>3,801,084</b>	<b>7,942,235</b>	3,621,518	7,756,489
Earnings per share - basic and diluted - Rupees	<b>5.00</b>	<b>10.45</b>	4.76	10.20

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

\_\_\_\_\_  
President and Chief Executive

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Director

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Director

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Director

MCB Bank Limited

Un-Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period ended June 30, 2010

	Quarter ended June 30, 2010	Half year ended June 30, 2010	Quarter ended June 30, 2009	Half year ended June 30, 2009
------(Rupees '000') -----				
<b>Profit after tax for the period</b>	3,801,084	7,942,235	3,621,518	7,756,489
<b>Other comprehensive income</b>				
Effect of translation of net investment in foreign branches	44,248	42,548	26,422	9,528
<b>Comprehensive income transferred to equity</b>	3,845,332	7,984,783	3,647,940	7,766,017
<b>Components of comprehensive income not reflected in equity</b>				
Net change in fair value of available for sale securities	(813,801)	(125,026)	760,177	2,502,340
Deferred tax	91,751	(5,364)	(150,830)	(620,027)
	(722,050)	(130,390)	609,347	1,882,313
<b>Total comprehensive income for the period</b>	3,123,282	7,854,393	4,257,287	9,648,330

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# MCB Bank Limited

## Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended June 30, 2010

	June 30, 2010	June 30, 2009
	----- (Rupees in '000) -----	
<b>Cash flows from operating activities</b>		
Profit before taxation	12,212,121	11,688,703
Less: Dividend income	<u>(225,258)</u>	<u>(190,024)</u>
	11,986,863	11,498,679
Adjustments for non-cash charges		
Depreciation	492,445	468,371
Amortization	72,424	72,637
Provision against loans and advances - net	1,893,612	3,373,762
Provision for diminution in the value of investments - net	124,659	518,495
Other provisions	4,308	3,534
Bad debts written off directly	31,708	-
Gain on disposal of fixed assets	(520)	(11,623)
Unrealized gain on revaluation of investments classified as held for trading	-	(1,360)
	<u>2,618,636</u>	<u>4,423,816</u>
	14,605,499	15,922,495
(Increase) / decrease in operating assets		
Lendings to financial institutions	(13,530,103)	(2,287,709)
Net investment in held for trading securities	-	44,579
Advances - net	6,265,755	286,856
Other assets - net	(122,476)	(1,680,893)
	(7,386,824)	(3,637,167)
Increase / (decrease) in operating liabilities		
Bills payable	(2,830,853)	(4,268,216)
Borrowings	(31,283,423)	(6,180,915)
Deposits and other accounts	51,665,482	31,560,356
Other liabilities	2,350,666	(7,095,463)
	<u>19,901,872</u>	<u>14,015,762</u>
	27,120,547	26,301,090
Income tax paid	<u>(8,628,678)</u>	<u>(763,315)</u>
<b>Net cash flows from operating activities</b>	18,491,869	25,537,775
<b>Cash flows from investing activities</b>		
Net investments in available-for-sale securities	(12,920,079)	(22,091,625)
Net investments in held-to-maturity securities	374,360	4,200,347
Investment in subsidiary companies	(84,139)	-
Dividend income received	237,718	153,425
Investment in operating fixed assets - net of disposals	(668,356)	(820,897)
<b>Net cash flows from investing activities</b>	(13,060,496)	(18,558,750)
<b>Cash flows from financing activities</b>		
Dividend paid	<u>(4,290,209)</u>	<u>(3,329,282)</u>
<b>Net cash flows from financing activities</b>	(4,290,209)	(3,329,282)
Exchange difference on translation of net investment in foreign branches	<u>42,548</u>	<u>9,528</u>
<b>Increase in cash and cash equivalents</b>	1,183,712	3,659,271
Cash and cash equivalents at beginning of the period	<u>44,784,864</u>	<u>43,674,272</u>
Cash and cash equivalents at end of period	<u>45,968,576</u>	<u>47,333,543</u>

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

\_\_\_\_\_  
President and Chief Executive

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Director

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Director

MCB Bank Limited

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)

For the six months period ended June 30, 2010

	Capital Reserves			Statutory reserve	Revenue Reserves		Total
	Share capital	Share premium	Exchange translation reserve		General reserve	Unappropriated profit	
	(Rupees in '000)						
<b>Balance as at January 01, 2009</b>	<b>6,282,768</b>	<b>9,702,528</b>	<b>188,686</b>	<b>8,277,551</b>	<b>18,600,000</b>	<b>9,193,332</b>	<b>52,244,865</b>
<b>Change in equity for six months ended June 30, 2009</b>							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	10,660	10,660
Exchange differences on translation of net investment in foreign branches	-	-	9,528	-	-	-	9,528
Profit after taxation for six months period ended June 30, 2009	-	-	-	-	-	7,756,489	7,756,489
Total comprehensive income for the period ended June 30, 2009	-	-	9,528	-	-	7,756,489	7,766,017
Transferred to statutory reserve	-	-	-	775,649	-	(775,649)	-
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	(628,277)	-
Final cash dividend - December 31, 2008	-	-	-	-	-	(1,570,692)	(1,570,692)
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)	(1,727,781)
<b>Balance as at June 30, 2009</b>	<b>6,911,045</b>	<b>9,702,528</b>	<b>198,214</b>	<b>9,053,200</b>	<b>18,600,000</b>	<b>12,258,082</b>	<b>56,723,069</b>
<b>Change in equity for six months ended December 31, 2009</b>							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	11,664	11,664
Exchange differences on translation of net investment in foreign branches	-	-	57,937	-	-	-	57,937
Profit after taxation for six months period ended December 31, 2009	-	-	-	-	-	7,738,808	7,738,808
Total comprehensive income for the period ended December 31, 2009	-	-	57,937	-	-	7,738,808	7,796,745
Transferred to statutory reserve	-	-	-	773,881	-	(773,881)	-
Interim cash dividend - June 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Interim cash dividend - September 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
<b>Balance as at December 31, 2009</b>	<b>6,911,045</b>	<b>9,702,528</b>	<b>256,151</b>	<b>9,827,081</b>	<b>18,600,000</b>	<b>15,779,127</b>	<b>61,075,932</b>
<b>Change in equity for six months ended June 30, 2010</b>							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	10,896	10,896
Exchange differences on translation of net investment in foreign branches	-	-	42,548	-	-	-	42,548
Profit after taxation for six months period ended June 30, 2010	-	-	-	-	-	7,942,235	7,942,235
<b>Total comprehensive income for the period ended June 30, 2010</b>	<b>-</b>	<b>-</b>	<b>42,548</b>	<b>-</b>	<b>-</b>	<b>7,942,235</b>	<b>7,984,783</b>
Transferred to statutory reserve	-	-	-	794,224	-	(794,224)	-
Issue of bonus shares - December 31, 2009	691,105	-	-	-	-	(691,105)	-
Final cash dividend - December 31, 2009	-	-	-	-	-	(2,418,877)	(2,418,877)
Interim cash dividend - March 31, 2010	-	-	-	-	-	(1,900,549)	(1,900,549)
<b>Balance as at June 30, 2010</b>	<b>7,602,150</b>	<b>9,702,528</b>	<b>298,699</b>	<b>10,621,305</b>	<b>18,600,000</b>	<b>17,927,503</b>	<b>64,752,185</b>

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

\_\_\_\_\_  
President and Chief Executive

\_\_\_\_\_  
Director

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Director

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Director

# MCB Bank Limited

## Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)

For the six months period ended June 30, 2010

### 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 all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg Lahore respectively. The Bank operates 1,085 branches including 11 Islamic banking branches (December 31, 2009: 1,074 branches including 11 Islamic banking branches) within Pakistan and 7 (December 31, 2009: 7) branches outside the country (including the Karachi Export Processing Zone Branch).

### 2 BASIS OF PRESENTATION

- 2.1 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 mark-up 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 utilised and the appropriate portion of mark-up thereon.
- 2.2 The financial results of the Islamic banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 18 to these unconsolidated condensed interim financial statements.

### 3 STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.
- 3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. 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 disclosures made in these unconsolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2009.

### 4 BASIS OF MEASUREMENT

- 4.1 These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments, commitments in respect of certain forward foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.
- 4.2 These unconsolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

### 5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

- 5.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2009.
- 5.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2009.

## 6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for significant accounting estimates and judgments adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2009.

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
<b>7. LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call money lendings	100,000	3,000,000
Repurchase agreement lendings	16,430,103	-
	<u>16,530,103</u>	<u>3,000,000</u>

	June 30, 2010		
	Held by bank	Given as collateral	Total
	----- Rupees in 000 -----		

## 8 INVESTMENTS - NET

### 8.1 Investments by types

	Note	Held by bank	Given as collateral	Total
		----- Rupees in 000 -----		
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	166,675,299	1,269,962	167,945,261
Held-to-maturity securities	8.2	13,404,882	-	13,404,882
		<u>180,080,181</u>	<u>1,269,962</u>	<u>181,350,143</u>
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		462,065	-	462,065
		<u>1,468,965</u>	<u>-</u>	<u>1,468,965</u>
<b>Investments at cost</b>		<u>181,549,146</u>	<u>1,269,962</u>	<u>182,819,108</u>
Less: Provision for diminution in the value of investments		(3,484,578)	-	(3,484,578)
<b>Investments (net of provisions)</b>		<u>178,064,568</u>	<u>1,269,962</u>	<u>179,334,530</u>
Surplus / (deficit) on revaluation of available for sale securities - net		182,057	(1,949)	180,108
<b>Investments at revalued amounts - net of provisions</b>		<u>178,246,625</u>	<u>1,268,013</u>	<u>179,514,638</u>

December 31, 2009

	Note	Held by bank	Given as collateral	Total
		----- Rupees in 000 -----		
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	123,838,258	31,513,525	155,351,783
Held-to-maturity securities	8.2	13,643,204	136,038	13,779,242
		<u>137,481,462</u>	<u>31,649,563</u>	<u>169,131,025</u>
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		377,926	-	377,926
		<u>1,384,826</u>	<u>-</u>	<u>1,384,826</u>
<b>Investments at cost</b>		<u>138,866,288</u>	<u>31,649,563</u>	<u>170,515,851</u>
Less: Provision for diminution in the value of investments		(3,686,520)	-	(3,686,520)
<b>Investments (net of provisions)</b>		<u>135,179,768</u>	<u>31,649,563</u>	<u>166,829,331</u>
Surplus / (deficit) on revaluation of available for sale securities - net		331,588	(26,454)	305,134
<b>Investments at revalued amounts - net of provisions</b>		<u>135,511,356</u>	<u>31,623,109</u>	<u>167,134,465</u>

- 8.2** Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2009: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2009: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.
- 8.3** Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (December 31, 2009: Rs. 943.600 million) as at June 30, 2010 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2010 amounted to Rs. 2,878.371 million (December 31, 2009: Rs. 3,032.786 million).

June 30,                      December 31,  
2010                              2009  
----- (Rupees in '000) -----

**9      ADVANCES - NET**

Loans, cash credits, running finances, etc

- In Pakistan
- Outside Pakistan

<b>242,438,360</b>	247,718,210
<b>9,071,570</b>	7,788,234
<b>251,509,930</b>	255,506,444

Net Investment in finance lease

- In Pakistan
- Outside Pakistan

<b>3,148,073</b>	3,867,943
<b>62,234</b>	65,492
<b>3,210,307</b>	3,933,435

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan
- Payable outside Pakistan

<b>2,427,702</b>	4,519,520
<b>6,256,935</b>	5,762,777
<b>8,684,637</b>	10,282,297

**Advances - gross**

<b>263,404,874</b>	<b>269,722,176</b>
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Less: Provision against loans and advances

- Specific provision
- General provision
- General provision against consumer loans
- General Provision for potential lease losses (in Srilanka Operations)

9.1

<b>(17,625,720)</b>	(15,678,345)
<b>(263,405)</b>	(269,722)
<b>(427,149)</b>	(494,434)
<b>(30,268)</b>	(30,268)
<b>(18,346,542)</b>	(16,472,769)

**Advances - net of provision**

<b>245,058,332</b>	253,249,407
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9.1 Advances include Rs. 24,133.637 million (December 31, 2009: Rs. 23,238.723 million) which have been placed under non-performing status as detailed below:

		June 30, 2010			Specific Provision Required	Specific Provision Held
Category of Classification	Note	Classified Advances		Total		
		Domestic	Overseas			
		----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM)	9.1.1	69,217	-	69,217	-	-
Substandard		2,254,760	-	2,254,760	528,767	528,767
Doubtful		3,609,482	69,152	3,678,634	1,771,945	1,771,945
Loss		14,102,946	4,028,080	18,131,026	15,325,008	15,325,008
		<u>20,036,405</u>	<u>4,097,232</u>	<u>24,133,637</u>	<u>17,625,720</u>	<u>17,625,720</u>

		December 31, 2009			Specific Provision Required	Specific Provision Held
Category of Classification		Classified Advances		Total		
		Domestic	Overseas			
		----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM)	9.1.1	76,933	-	76,933	-	-
Substandard		2,960,881	24,728	2,985,609	696,740	696,740
Doubtful		4,242,845	-	4,242,845	1,920,370	1,920,370
Loss		11,965,808	3,967,528	15,933,336	13,061,235	13,061,235
		<u>19,246,467</u>	<u>3,992,256</u>	<u>23,238,723</u>	<u>15,678,345</u>	<u>15,678,345</u>

9.1.1 This represents non-performing portfolio of agricultural financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural Financing issued by the State Bank of Pakistan.

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
<b>10 BORROWINGS</b>		
In Pakistan	12,085,667	43,658,408
Outside Pakistan	1,292,998	1,003,680
	<u>13,378,665</u>	<u>44,662,088</u>

**10.1 Details of borrowings (secured / unsecured)**

**Secured**

Borrowings from State Bank of Pakistan

Export refinance scheme	8,559,720	8,829,527
Long term financing facility	-	80,220
Long term financing - export oriented products scheme	2,040,204	2,018,330
	<u>10,599,924</u>	<u>10,928,077</u>

Borrowings from other financial institutions

Repurchase agreement borrowings	496,158	452,398
	<u>1,387,235</u>	<u>31,606,331</u>
	<u>1,883,393</u>	<u>32,058,729</u>

12,483,317 42,986,806

**Unsecured**

Overdrawn nostro accounts

	490,769	529,190
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Call borrowings	404,579	1,146,092
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895,348 1,675,282

13,378,665 44,662,088

June 30,                      December 31,  
2010                              2009  
----- (Rupees in '000) -----

**11 DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	75,258,758	62,651,531
Savings deposits	192,900,037	173,797,078
Current accounts - non remunerative	142,557,034	123,898,324
Margin accounts	3,014,045	2,910,655
Others	10	767
	413,729,884	363,258,355

**Financial institutions**

Remunerative deposits	3,069,923	2,258,295
Non-remunerative deposits	2,470,386	2,088,061
	5,540,309	4,346,356
	419,270,193	367,604,711

**12 DEFERRED TAX LIABILITY / (ASSET) - NET**

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

**Taxable temporary differences on:**

Surplus on revaluation of operating fixed assets	497,780	503,649
Accelerated tax depreciation	710,293	749,828
Receivable from pension fund	3,838,307	3,262,911
Net investment in finance lease	179,090	301,189
Others	-	-
	5,225,470	4,817,577

**Deductible temporary differences on:**

Deficit on revaluation of securities	(84,689)	(90,053)
Provision for contributory benevolent scheme	(35,578)	(46,604)
Provision for post retirement medical benefits	(377,891)	(399,420)
Provision for bad debts	(1,022,136)	(1,084,757)
	(1,520,294)	(1,620,834)
	3,705,176	3,196,743

**12.1** The Finance Act, 2009 and 2010 have made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provision for doubtful and loss categories of advances and off balance sheet items is allowable up to a maximum of 1% of total advances whereas provisions for advances and off-balance sheet items for consumers and small and medium enterprises (SMEs) ("as defined under the SBP's Prudential Regulations") is now allowed at 5% of gross consumer and SME portfolio. The amount of bad debts classified as substandard under Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of general advances and 5% of consumers and SMEs advances can be carried over to succeeding years.

June 30,                      December 31,  
2010                              2009  
----- (Rupees in '000) -----

**13 CONTINGENCIES AND COMMITMENTS**

**13.1 Transaction-related contingent liabilities / commitments**

**Guarantees in favour of:**

- Government	5,204,602	6,027,243
- Banks and financial institutions	7,605,841	11,312,597
- Others	5,914,291	4,755,380
<b>Suppliers' credit / payee guarantee</b>	<b>2,128,779</b>	<b>2,421,640</b>
	20,853,513	24,516,860

	<b>June 30, 2010</b>	December 31, 2009
	----- (Rupees in '000) -----	
<b>13.2 Trade-related contingent liabilities</b>	<b>56,738,975</b>	47,577,037

**13.3 Other contingencies**

Claims against the Bank not acknowledged as debts	<b>567,945</b>	542,415
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**13.4 Commitments to extend credit**

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

	<b>June 30, 2010</b>	December 31, 2009
	----- (Rupees in '000) -----	
<b>13.5 Commitments in respect of forward foreign exchange contracts</b>		

Purchase	<b>29,484,373</b>	23,832,214
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Sale	<b>27,028,005</b>	23,037,004
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**13.6 Commitments for the acquisition of fixed assets**

	<b>79,367</b>	-
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**13.7 Commitments in respect of:**

Forward Lending	<b>8,000,000</b>	-
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**13.8 Other commitments**

Cross currency swaps (notional amount)	<b>201,408</b>	249,690
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Interest rate swaps (notional amount)	<b>-</b>	166,667
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FX Option	<b>756,178</b>	-
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**13.9 Taxation**

The Income tax assessments of the Bank have been finalized upto and including the Tax Year 2009. For the Tax Year 2003 to 2006 and Tax year 2007 & 2009, the department has amended the assessments on certain issues under section 177 and section 122(5A) respectively, of the Income Tax Ordinance 2001. The appeals filed before Commissioner of Income Tax (Appeals) have been disposed off, against which the Bank has filed appeal before the Income Tax Appellate Tribunal (ITAT). The management and the Bank's legal counsel are of the view that the issues will be decided in the Bank's favor as and when these are taken up by the Income Tax Appellate Tribunal (ITAT).

Total disallowances for the assessment years 1994-95 to 1997-98 on account of interest in suspense amounted to Rs. 722.682 Million out of which an amount of Rs. 317.289 Million has been allowed in the assessment years 1998-1999 to 2000-2001. It is expected that the pending appeals in this regard in the honorable Sind High Court shall be decided in the favor of Bank as allowed in assessment years 1992-1993 and 1993-1994 subsequent to the favorable order of the Sind High Court. The management considers that provision is not necessary for the remaining balance of Rs. 405.393 Million resulting in tax liability for interest in suspense for Rs. 244.781 Million as the Bank has been subjected to tax far exceeding its normal tax liability and is hopeful of favorable decisions in appeals.

Accordingly, no provision has been made in these financial statements for the above issues.

	<b>Six months ended</b>	
	<b>June 30, 2010</b>	<b>June 30, 2009</b>
	---- (Rupees in '000) ----	
<b>14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX</b>		
Profit after taxation	<b>7,942,235</b>	7,756,489
Weighted average number of shares outstanding during the period	<b>760,214,980</b>	760,214,980
Basic and diluted Earnings per share - after tax	<b>10.45</b>	10.20

**15 CREDIT RATING**

PACRA has assigned long-term credit rating of AA+ (double A plus) and short-term credit rating of A1+ (A one plus) to the Bank.

## 16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Six months ended June 30, 2010				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	------(Rupees in '000)-----				
Total income	63,736	7,382,670	12,310,494	9,630,061	<b>29,386,961</b>
Total expenses	(14,534)	(1,121,355)	(14,663,607)	(1,375,344)	<b>(17,174,840)</b>
Income tax expense	-	-	-	-	<b>(4,269,886)</b>
<b>Net income</b>	<b>49,202</b>	<b>6,261,315</b>	<b>(2,353,113)</b>	<b>8,254,717</b>	<b>7,942,235</b>
Segment assets - (Gross of NPLs Provisions)	-	208,549,189	119,230,124	218,182,762	<b>545,962,075</b>
Advance tax - net of provision	-	-	-	-	<b>3,765,589</b>
<b>Total assets</b>	<b>-</b>	<b>208,549,189</b>	<b>119,230,124</b>	<b>218,182,762</b>	<b>549,727,664</b>
Segment non performing loans	-	-	<b>7,198,234</b>	<b>16,935,403</b>	<b>24,133,637</b>
Segment specific provision required	-	-	<b>5,257,146</b>	<b>12,368,574</b>	<b>17,625,720</b>
Segment liabilities	-	183,716,744	92,272,312	179,132,731	<b>455,121,787</b>
Deferred tax liabilities - net	-	-	-	-	<b>3,705,176</b>
<b>Total liabilities - net</b>	<b>-</b>	<b>183,716,744</b>	<b>92,272,312</b>	<b>179,132,731</b>	<b>458,826,963</b>
Segment return on assets (ROA) (%)	-	<b>6.00%</b>	<b>-4.13%</b>	<b>8.02%</b>	<b>3.01%</b>
Segment cost of fund (%)	-	<b>11.41%</b>	<b>3.88%</b>	<b>4.89%</b>	<b>4.29%</b>
	Six months ended June 30, 2009				
Total income	62,330	5,547,489	13,357,284	9,640,560	28,607,663
Total expenses	(11,916)	(1,326,456)	(13,779,167)	(1,801,421)	(16,918,960)
Income tax expense	-	-	-	-	(3,932,214)
<b>Net income</b>	<b>50,414</b>	<b>4,221,033</b>	<b>(421,883)</b>	<b>7,839,139</b>	<b>7,756,489</b>
Segment assets - (Gross of NPLs provision)	-	137,940,124	132,092,486	210,821,724	480,854,334
<b>Total assets</b>	<b>-</b>	<b>137,940,124</b>	<b>132,092,486</b>	<b>210,821,724</b>	<b>480,854,334</b>
Segment non performing loans	-	-	7,473,362	13,390,080	20,863,442
Segment specific provision required	-	-	4,718,222	8,453,674	13,171,896
Segment liabilities	-	121,144,568	103,153,127	174,429,971	398,727,666
Deferred tax assets	-	-	-	-	469,467
Provision for taxation	-	-	-	-	3,699,392
<b>Total liabilities - net</b>	<b>-</b>	<b>121,144,568</b>	<b>103,153,127</b>	<b>174,429,971</b>	<b>402,896,525</b>
Segment return on assets (ROA) (%)	-	6.12%	-0.66%	7.75%	3.32%
Segment cost of fund (%)	-	3.05%	3.84%	4.09%	3.86%

## 17 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, companies with common directors, Bank's directors and key management personnel including their associates.

Transactions between the bank and its related parties are carried out at an arm's length basis under the comparable uncontrolled price method. However, the transactions between the bank and one of its subsidiary MNET Services (Private) Limited are carried out on 'cost plus' method. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. There are no transactions with key management personnel other than under their terms of employment. Remuneration to the executives and key management personnel are determined in accordance with the terms of their employment.

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

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	Six months ended June 30, 2010	Year ended Dec 31, 2009	Six months ended June 30, 2010	Year ended Dec 31, 2009	Six months ended June 30, 2010	Year ended Dec 31, 2009	Six months ended June 30, 2010	Year ended Dec 31, 2009
----- (Rupees in '000) -----								
<b>Deposits</b>								
Deposits at beginning of the period / year	1,394,294	426,196	709,726	832,872	38,047	29,303	17,518,224	4,952,402
Deposits received during the period / year	30,183,120	20,156,909	61,074,169	137,233,548	521,246	598,908	87,159,740	219,380,319
Deposits repaid during the period / year	(29,467,050)	(19,188,811)	(61,042,789)	(137,356,694)	(503,720)	(590,164)	(82,698,695)	(206,814,497)
Deposits at the end of the period / year	2,110,364	1,394,294	741,106	709,726	55,573	38,047	21,979,269	17,518,224
<b>Advances (secured)</b>								
Balance at beginning of the period / year	-	-	-	-	1,141	1,640	-	-
Loan granted during the period / year	-	-	-	-	-	-	-	-
Repayment during the period / year	-	-	-	-	(272)	(499)	-	-
Balance at end of the period / year	-	-	-	-	869	1,141	-	-
							June 30, 2010	December 31, 2009
							----- (Rupees in '000) -----	
Receivable from Pension Fund							10,966,297	9,322,304
	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	June 30, 2010	June / December 31, 2009	June 30, 2010	June / December 31, 2009	June 30, 2010	June / December 31, 2009	June 30, 2010	June / December 31, 2009
----- (Rupees in '000) -----								
<b>Adamjee Insurance Company Limited</b>								
Insurance premium paid	-	-	193,754	182,058	-	-	-	-
Insurance claim settled	-	-	30,393	28,429	-	-	-	-
Dividend received	-	-	49,137	29,780	-	-	-	-
Rent income received	-	-	4,567	8,846	-	-	-	-
<b>Mayban International Trust (Labuan) Berhad</b>								
Dividend paid	-	-	863,880	628,276	-	-	-	-
Bonus shares issued	-	-	138,221	125,655	-	-	-	-
Forward foreign exchange contracts (Notional)	-	-	4,146,954	3,408,431	-	-	-	-
Unrealized loss on forward foreign exchange contracts	-	-	104,258	36,213	-	-	-	-
<b>MNET Services (Private) Limited</b>								
Outsourcing service expenses	-	-	-	-	38,347	29,479	-	-
Networking service expenses	-	-	-	-	6,863	443	-	-
Switch revenue	-	-	-	-	62	320	-	-
Payment system managed service revenue (PSM)	-	-	-	-	13,361	14,464	-	-
Payable for trade debts	-	-	-	-	31,323	35,501	-	-
<b>"MCB Leasing" Closed Joint Stock Company</b>								
- Capital injection	-	-	-	-	84,138	394	-	-
<b>MCB Asset Management Company Limited</b>								
- Markup paid	-	-	-	-	19	558	-	-
- Markup payable	-	-	-	-	48	51	-	-
- Others	-	-	-	-	1,313	1,001	-	-
<b>MCB Trade Services</b>								
- Dividend received	-	-	-	-	9,929	11,315	-	-
<b>MCB Employees Foundation</b>								
- Service expenses	-	-	-	-	-	-	9,156	8,476
- Cash sorting expenses	-	-	-	-	-	-	13,394	9,626
- Cash in transit expenses	-	-	-	-	-	-	219	799
- Security guard expenses	-	-	-	-	-	-	80,713	72,378
Advance receivable	-	-	-	-	-	-	20,000	20,000
<b>Others</b>								
- Remuneration of key management personnel	48,773	32,646	-	-	-	-	147,857	112,324
- Miscellaneous expenses	-	-	-	-	-	-	82,737	61,924
- Contribution to provident fund	-	-	-	-	-	-	78,477	73,562

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.

## 18 ISLAMIC BANKING BUSINESS

The Statement of Financial Position of the Bank's Islamic Banking Branches as at June 30, 2010 is as follows:

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
<b>Assets</b>		
Cash and balances with treasury banks	444,508	315,766
Investments - net	1,549,323	1,671,364
Financing and receivables		
- Murabaha	1,550,683	1,466,368
- Ijara	587,060	771,734
- Islamic export refinance	1,100,494	1,239,498
Deferred tax assets	2,725	1,352
Other assets	1,933,841	2,725,991
	<b>7,168,634</b>	<b>8,192,073</b>
<b>Liabilities</b>		
Bills payable	9,383	15,779
Deposits and other accounts		
- Current accounts	310,871	231,793
- Saving accounts	2,576,169	1,450,493
- Term deposits	1,647,057	271,760
- Others	1,491	2,790
Borrowing from SBP	1,068,773	1,137,307
Due to head office	104,683	3,600,000
Deferred tax liability	-	-
Other liabilities	478,446	420,598
	<b>6,196,873</b>	<b>7,130,520</b>
<b>Net assets</b>	<b>971,761</b>	<b>1,061,553</b>
<b>Represented by:</b>		
Islamic Banking Fund	850,000	850,000
Unappropriated profit	126,822	214,064
	<b>976,822</b>	<b>1,064,064</b>
Surplus / (deficit) on revaluation of assets - net of tax	(5,061)	(2,511)
	<b>971,761</b>	<b>1,061,553</b>
Remuneration to Shariah Advisor / Board	646	623
<b>Charity fund</b>		
Opening balance	1,998	2,093
Additions during the period / year	649	1,405
Payments/ utilization during the period / year	-	(1,500)
Closing balance	<b>2,647</b>	<b>1,998</b>

The profit and loss account of the Bank's Islamic banking Branches for the six months period ended June 30, 2010 is as follows:

	<b>Six months ended June 30, 2010</b>	Six months ended June 30, 2009
	----- (Rupees in '000) -----	
Income / return / profit earned	<b>608,035</b>	598,663
Income / return / profit expensed	<b>424,571</b>	376,839
Net Income / Profit	<b>183,464</b>	221,824
Provision against loans and advances - net	-	37,782
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	-	37,782
Net profit / income after provisions	<b>183,464</b>	184,042
<b>Other income</b>		
Fees, commission and brokerage income	<b>12,853</b>	2,703
Dividend income	-	-
Income from dealing in foreign currencies	<b>1,899</b>	3,384
Other Income	<b>6,360</b>	5,306
Total other income	<b>21,112</b>	11,393
	<b>204,576</b>	195,435
<b>Other expenses</b>		
Administrative expenses	<b>77,748</b>	48,123
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	<b>6</b>	220
Total other expenses	<b>77,754</b>	48,343
Extra ordinary / unusual items	-	-
Profit before taxation	<b>126,822</b>	147,092

## 19 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Comparative information has been reclassified and rearranged in these financial statements for the purpose of comparison. No significant reclassification has been made except for as follows:

Description	Quarter ended June 30, 2010	Half year ended June 30, 2010	Reclassified	
	(Rupees in '000)		From	To
Exchange income on import / export bills purchased / negotiated	<b>21,920</b>	<b>45,083</b>	Other income	Fee, commission and brokerage income
Commission on home remittance	<b>19,104</b>	<b>57,423</b>	Other income	Fee, commission and brokerage income
Provision against fraud and forgeries	<b>104,342</b>	<b>104,381</b>	Other charges	Other provisions

## **20 NON-ADJUSTING EVENT**

The Board of Directors in its meeting held on August 05, 2010 has announced cash dividend in respect of the six months period ended June 30, 2010 of Rs. 3.0 per share (June 30, 2009: Rs 2.50 per share). These unconsolidated condensed interim financial statements for the six months period ended June 30, 2010 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

## **21 DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on August 05, 2010 .

\_\_\_\_\_  
**President and Chief Executive**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**

\_\_\_\_\_  
**Director**