



MCB Bank Limited

Un-consolidated Condensed Interim Financial Statements
for six months period ended June 30, 2011

MCB Bank Limited

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

As at June 30, 2011

	Unaudited June 30, 2011	Audited December 31, 2010
Note	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	47,228,269	45,407,183
Balances with other banks	1,577,927	1,478,569
Lendings to financial institutions	7 8,849,288	4,401,781
Investments - net	8 260,204,461	213,060,882
Advances - net	9 259,973,856	254,551,589
Operating fixed assets	21,214,537	20,947,540
Deferred tax assets - net	-	-
Other assets - net	31,125,186	27,705,069
	630,173,524	567,552,613
Liabilities		
Bills payable	7,847,531	10,265,537
Borrowings	10 17,523,249	25,684,593
Deposits and other accounts	11 496,205,644	431,371,937
Sub-ordinated loan	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	12 5,547,031	4,934,018
Other liabilities	18,250,601	16,092,319
	545,374,056	488,348,404
Net assets	<u>84,799,468</u>	<u>79,204,209</u>
Represented by:		
Share capital	8,362,365	7,602,150
Reserves	41,262,309	40,162,906
Un-appropriated profit	25,397,551	21,414,955
	75,022,225	69,180,011
Surplus on revaluation of assets - net of tax	9,777,243	10,024,198
	<u>84,799,468</u>	<u>79,204,209</u>

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

Director

Director

Director

MCB Bank Limited

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

For the six months period ended June 30, 2011

	Quarter ended June 30, 2011	Half year ended June 30, 2011	Quarter ended June 30, 2010	Half year ended June 30, 2010
Note	(	R u p e e s	i n '000)
Mark-up / return / interest earned	16,882,345	32,842,383	13,295,156	26,395,968
Mark-up / return / interest expensed	5,578,371	10,615,257	4,322,267	8,699,310
Net mark-up / interest income	11,303,974	22,227,126	8,972,889	17,696,658
Provision against loans and advances - net	1,237,522	2,239,826	1,029,079	1,893,612
Provision for diminution in the value of investments - net	9,481	196,658	680	124,659
Bad debts written off directly	(5,101)	2,293	17,948	31,708
Net mark-up / interest income after provisions	1,241,902	2,438,777	1,047,707	2,049,979
Net mark-up / interest income after provisions	10,062,072	19,788,349	7,925,182	15,646,679
Non mark-up / interest income				
Fee, commission and brokerage income	1,256,670	2,438,958	1,063,879	2,073,786
Dividend income	163,488	352,003	112,259	225,258
Income from dealing in foreign currencies	272,369	486,364	158,413	275,712
Gain on sale of securities - net	302,725	581,173	128,640	156,815
Unrealized gain on revaluation of investments classified as held for trading	-	-	-	-
Other income	149,353	294,125	127,381	259,422
Total non mark-up / interest income	2,144,605	4,152,623	1,590,572	2,990,993
	12,206,677	23,940,972	9,515,754	18,637,672
Non-mark-up / interest expenses				
Administrative expenses	3,490,190	7,159,170	3,266,295	5,916,487
Other provisions / (reversals)	5,928	(7,835)	4,271	4,308
Other charges	384,914	627,619	284,217	504,756
Total non mark-up/interest expenses	3,881,032	7,778,954	3,554,783	6,425,551
Extra ordinary / unusual item	8,325,645	16,162,018	5,960,971	12,212,121
Profit before taxation	-	-	-	-
	8,325,645	16,162,018	5,960,971	12,212,121
Taxation - current period	2,332,358	5,038,032	1,783,526	3,766,817
- prior years	-	-	-	-
- deferred	445,492	552,574	376,361	503,069
	2,777,850	5,590,606	2,159,887	4,269,886
Profit after taxation	5,547,795	10,571,412	3,801,084	7,942,235
Earnings per share - basic and diluted - Rupees	14	6.63	12.64	4.55
		9.50		

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

President and Chief Executive

Director

Director

Director

MCB Bank Limited

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

For the six months period ended June 30, 2011

	Quarter ended June 30, 2011	Half year ended June 30, 2011	Quarter ended June 30, 2010	Half year ended June 30, 2010
	(R u p e e s '000')			
Profit after tax for the period	5,547,795	10,571,412	3,801,084	7,942,235
Other comprehensive income				
Effect of translation of net investment in foreign branches	37,489	42,262	44,248	42,548
Comprehensive income transferred to equity	<u>5,585,284</u>	<u>10,613,674</u>	<u>3,845,332</u>	<u>7,984,783</u>
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	(202,660)	(168,514)	(813,801)	(125,026)
Deferred tax	19,654	(60,440)	91,751	(5,364)
	(183,006)	(228,954)	(722,050)	(130,390)
Total comprehensive income for the period	<u><u>5,402,278</u></u>	<u><u>10,384,720</u></u>	<u><u>3,123,282</u></u>	<u><u>7,854,393</u></u>

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Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended June 30, 2011

	June 30. 2011	June 30. 2010
	(Rupees in '000)	
Cash flows from operating activities		
Profit before taxation	16,162,018	12,212,121
Less: Dividend income	(352,003)	(225,258)
	<u>15,810,015</u>	<u>11,986,863</u>
Adjustments for non-cash charges		
Depreciation	538,937	492,445
Amortization	116,431	72,424
Provision against loans and advances - net	2,239,826	1,893,612
Provision for diminution in the value of investments - net	196,658	124,659
Other provisions / (reversals)	(7,835)	4,308
Bad debts written off directly	2,293	31,708
Gain on disposal of fixed assets	(9,850)	(520)
	<u>3,076,460</u>	<u>2,618,636</u>
	18,886,475	14,605,499
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,447,507)	(13,530,103)
Net investment in held for trading securities	-	-
Advances - net	(7,664,386)	6,265,755
Other assets - net	398,685	(122,476)
	<u>(11,713,208)</u>	<u>(7,386,824)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(2,418,006)	(2,830,853)
Borrowings	(8,161,344)	(31,283,423)
Deposits and other accounts	64,833,707	51,665,482
Other liabilities	2,346,865	2,350,666
	<u>56,601,222</u>	<u>19,901,872</u>
	63,774,489	27,120,547
Income tax paid	(8,830,814)	(8,628,678)
Net cash flows from operating activities	54,943,675	18,491,869
Cash flows from investing activities		
Net investments in available-for-sale securities	(47,238,941)	(12,920,079)
Net investments in held-to-maturity securities	(217,289)	374,360
Investment in subsidiary companies	-	(84,139)
Investment in associated undertaking	(52,521)	-
Dividend income received	333,710	237,718
Investment in operating fixed assets - net of disposals	(912,515)	(668,356)
Net cash flows from investing activities	(48,087,556)	(13,060,496)
Cash flows from financing activities		
Dividend paid	(4,977,937)	(4,290,209)
Net cash flows from financing activities	(4,977,937)	(4,290,209)
Exchange difference on translation of net investment in foreign branches	42,262	42,548
Increase in cash and cash equivalents	1,920,444	1,183,712
Cash and cash equivalents at beginning of the period	46,885,752	44,784,864
Cash and cash equivalents at end of period	<u>48,806,196</u>	<u>45,968,576</u>

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

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MCB Bank Limited
Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the six months period ended June 30, 2011

	Share capital	Reserve for issue of bonus shares	Capital Reserves		Statutory reserve	Revenue Reserves		Total
			Share premium	Exchange translation reserve		General reserve	Unappropriated profit	
	(		R u p e e s		i n	'000)
Balance as at January 01, 2010	6,911,045	-	9,702,528	256,151	9,827,081	18,600,000	15,779,127	61,075,932
Change in equity for six months ended June 30, 2010								
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
Total comprehensive income for the period ended June 30, 2010	-	-	-	42,548	-	-	7,942,235	7,984,783
Transferred to statutory reserve	-	-	-	-	794,224	-	(794,224)	-
Transfer to reserve for issue of bonus shares	-	691,105	-	-	-	-	(691,105)	-
Issue of bonus shares - December 31, 2009	691,105	(691,105)	-	-	-	-	-	-
Final cash dividend - December 31, 2009	-	-	-	-	-	-	(2,418,866)	(2,418,866)
Interim cash dividend - March 31, 2010	-	-	-	-	-	-	(1,900,560)	(1,900,560)
Balance as at June 30, 2010	7,602,150	-	9,702,528	298,699	10,621,305	18,600,000	17,927,503	64,752,185
Change in equity for six months ended December 31, 2010								
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	-	-	-	47,280	-	-	-	47,280
Profit after taxation for six months period ended December 31, 2010	-	-	-	-	-	-	8,930,940	8,930,940
Total comprehensive income for the period ended December 31, 2010	-	-	-	47,280	-	-	8,930,940	8,978,220
Transferred to statutory reserve	-	-	-	-	893,094	-	(893,094)	-
Interim cash dividend - June 30, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)
Interim cash dividend - September 30, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)
Balance as at December 31, 2010	7,602,150	-	9,702,528	345,979	11,514,399	18,600,000	21,414,955	69,180,011
Change in equity for six months ended June 30, 2011								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	17,894	17,894
Exchange differences on translation of net investment in foreign branches	-	-	-	42,262	-	-	-	42,262
Profit after taxation for six months period ended June 30, 2011	-	-	-	-	-	-	10,571,412	10,571,412
Total comprehensive income for the period ended June 30, 2011	-	-	-	42,262	-	-	10,571,412	10,613,674
Transferred to statutory reserve	-	-	-	-	1,057,141	-	(1,057,141)	-
Transfer to reserve for issue of bonus shares	-	760,215	-	-	-	-	(760,215)	-
Issue of bonus shares - December 31, 2010	760,215	(760,215)	-	-	-	-	-	-
Final cash dividend - December 31, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)
Interim cash dividend - March 31, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)
Balance as at June 30, 2011	8,362,365	-	9,702,528	388,241	12,571,540	18,600,000	25,397,551	75,022,225

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

MCB Bank Limited

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

For the six months period ended June 30, 2011

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 Depositary 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 1,134 branches including 14 Islamic banking branches (December 31, 2010: 1,125 branches including 14 Islamic banking branches) within Pakistan and 8 (December 31, 2010: 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 utilized 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 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 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, 2010.

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, 2010.

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, 2010.

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, 2010.

	June 30, 2011	December 31, 2010
	(Rupees in '000)	
7. LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	1,400,000	1,500,000
Repurchase agreement	7,449,288	2,901,781
	<u>8,849,288</u>	<u>4,401,781</u>

		June 30, 2011		
	Note	Held by bank (	Given as collateral Rupees In '000	Total)
8 INVESTMENTS - NET				
8.1 Investments by types				
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	246,699,459	1,892,649	248,592,108
Held-to-maturity securities	8.2	12,519,369	-	12,519,369
		<u>259,218,828</u>	1,892,649	<u>261,111,477</u>
Associates	8.3	1,059,421	-	1,059,421
Subsidiaries		482,208	-	482,208
		<u>1,541,629</u>	-	<u>1,541,629</u>
Investments at cost		260,760,457	1,892,649	262,653,106
Less: Provision for diminution in the value of investments		<u>(2,801,827)</u>	-	<u>(2,801,827)</u>
Investments (net of provisions)		257,958,630	1,892,649	259,851,279
Surplus / (deficit) on revaluation of available for sale securities - net		354,457	(1,275)	353,182
		<u>-</u>	<u>-</u>	<u>-</u>
Investments at revalued amounts - net of provisions		<u>258,313,087</u>	<u>1,891,374</u>	<u>260,204,461</u>

December 31, 2010

		Held by bank	Given as collateral	Total
		(Rupees In '000)		
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	190,043,994	11,840,440	201,884,434
Held-to-maturity securities	8.2	12,302,080	-	12,302,080
		<u>202,346,074</u>	<u>11,840,440</u>	<u>214,186,514</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>
Investments at cost		<u>203,815,039</u>	<u>11,840,440</u>	<u>215,655,479</u>
Less: Provision for diminution in the value of investments		<u>(3,116,292)</u>	<u>-</u>	<u>(3,116,292)</u>
Investments (net of provisions)		<u>200,698,747</u>	<u>11,840,440</u>	<u>212,539,187</u>
Surplus / (deficit) on revaluation of available for sale securities - net		<u>534,095</u>	<u>(12,400)</u>	<u>521,695</u>
Investments at revalued amounts - net of provisions		<u><u>201,232,842</u></u>	<u><u>11,828,040</u></u>	<u><u>213,060,882</u></u>

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2010: 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, 2010: 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, 2010: Rs. 943.600 million) as at June 30, 2011 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, 2011 amounted to Rs. 2,341.830 million (December 31, 2010: Rs. 3,152.948 million).

June 30, December 31,
2011 2010
(Rupees in '000)

9 ADVANCES - NET

Loans, cash credits, running finances, etc			
- In Pakistan		257,855,597	250,395,183
- Outside Pakistan		11,280,070	9,104,266
		<u>269,135,667</u>	<u>259,499,449</u>
Net Investment in finance lease			
- In Pakistan		1,609,014	2,333,616
- Outside Pakistan		105,362	86,429
		<u>1,714,376</u>	<u>2,420,045</u>
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		1,321,932	1,274,149
- Payable outside Pakistan		9,619,491	10,950,281
		<u>10,941,423</u>	<u>12,224,430</u>
Advances - gross		<u>281,791,466</u>	<u>274,143,924</u>
Less: Provision against loans and advances			
- Specific provision	9.1	(21,251,926)	(18,930,571)
- General provision		(281,791)	(274,144)
- General provision against consumer loans		(253,625)	(357,352)
- General Provision for potential lease losses (in Srilanka Operations)		(30,268)	(30,268)
		<u>(21,817,610)</u>	<u>(19,592,335)</u>
Advances - net of provision		<u><u>259,973,856</u></u>	<u><u>254,551,589</u></u>

- 9.1 Advances include Rs. 25,422.025 million (December 31, 2010: Rs. 24,543.807 million) which have been placed under non-performing status as detailed below:

		June 30, 2011			Specific Provision Required '000	Specific Provision Held)
Category of Classification	Note	Classified Advances				
		Domestic (	Overseas R u p e e s i n	Total		
Other Assets Especially Mentioned (OAEM)	9.1.1	30,470	-	30,470	-	-
Substandard		552,443	2	552,445	122,343	122,343
Doubtful		892,119	18,897	911,016	405,962	405,962
Loss		19,867,013	4,061,081	23,928,094	20,723,621	20,723,621
		<u>21,342,045</u>	<u>4,079,980</u>	<u>25,422,025</u>	<u>21,251,926</u>	<u>21,251,926</u>

		December 31, 2010			Specific Provision Required '000	Specific Provision Held)
Category of Classification		Classified Advances				
		Domestic (	Overseas R u p e e s i n	Total		
Other Assets Especially Mentioned (OAEM)	9.1.1	57,057	-	57,057	-	-
Substandard		1,539,019	864	1,539,883	349,919	349,919
Doubtful		2,139,457	2,755	2,142,212	1,016,135	1,016,135
Loss		16,688,531	4,116,124	20,804,655	17,564,517	17,564,517
		<u>20,424,064</u>	<u>4,119,743</u>	<u>24,543,807</u>	<u>18,930,571</u>	<u>18,930,571</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, 2011	December 31, 2010
	(Rupees in '000)	
10 BORROWINGS		
In Pakistan	14,428,000	24,324,510
Outside Pakistan	3,095,249	1,360,083
	<u>17,523,249</u>	<u>25,684,593</u>
10.1 Details of borrowings (secured / unsecured)		
Secured		
Borrowings from State Bank of Pakistan		
Export refinance scheme	9,722,717	9,880,240
Long term financing facility	1,138,410	721,000
Long term financing - export oriented products scheme	1,636,381	1,444,542
	12,497,508	12,045,782
Borrowings from other financial institutions	559,152	618,163
Repurchase agreement borrowings	2,014,036	12,027,499
	2,573,188	12,645,662
	15,070,696	24,691,444
Unsecured		
Overdrawn nostro accounts	449,424	543,289
Call borrowings	2,003,129	449,860
	2,452,553	993,149
	<u>17,523,249</u>	<u>25,684,593</u>

June 30, December 31,
2011 2010
(Rupees in '000)

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	90,575,004	80,073,848
Savings deposits	216,812,188	196,015,213
Current accounts - non remunerative	176,421,466	144,545,488
Margin accounts	3,187,284	3,482,526
	486,995,942	424,117,075

Financial institutions

Remunerative deposits	7,453,957	4,128,090
Non-remunerative deposits	1,755,745	3,126,772
	9,209,702	7,254,862
	496,205,644	431,371,937

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	792,613	802,248
Accelerated tax depreciation	804,156	839,989
Receivable from pension fund	4,842,458	4,389,896
Net investment in finance lease	59,698	119,394
Surplus on revaluation of securities	44,860	-
	6,543,785	6,151,527

Deductible temporary differences on:

Deficit on revaluation of securities	-	(15,580)
Provision for contributory benevolent scheme	(15,290)	(27,128)
Provision for post retirement medical benefits	(329,332)	(353,170)
Provision for bad debts	(652,132)	(821,631)
	(996,754)	(1,217,509)
	5,547,031	4,934,018

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 consumer 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.

June 30, December 31,
2011 2010
(Rupees in '000)

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

- Government	5,415,157	4,533,255
- Banks and financial institutions	2,065,066	1,455,621
- Others	9,467,594	7,794,659
Suppliers' credit / payee guarantee	2,513,688	2,326,818
	19,461,505	16,110,353

	June 30, 2011	December 31, 2010
	(Rupees in '000)	
13.2 Trade-related contingent liabilities	<u>77,177,148</u>	<u>76,856,249</u>
13.3 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>880,166</u>	<u>674,032</u>
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.		
	June 30, 2011	December 31, 2010
	(Rupees in '000)	
13.5 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>28,240,050</u>	<u>20,154,200</u>
Sale	<u>30,819,082</u>	<u>22,245,693</u>
13.6 Commitments for the acquisition of fixed assets	<u>369,192</u>	<u>51,944</u>
13.7 Other commitments		
Cross currency swaps (notional amount)	<u>104,845</u>	<u>153,126</u>
13.8 Taxation		

The income tax assessments of the Bank have been framed upto and including the Tax Year 2010. For the Tax Years 1997 to 2009, the department has amended the assessments on certain issues against the Bank. The Bank has filed appeals which are pending at various appellate forum. In respect of the Tax Year 1994 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided certain matters in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). For Tax Year 2009, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 982.054 million against which the legal / appellate course from the Bank has reached ITAT level. No provision has been made in the financial statements as the management and the Bank's legal counsel are 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.

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 Honourable Sindh High Court shall be decided in favour of the Bank as allowed in assessment years 1992-1993 and 1993-1994. Subsequent to the favourable order of the Honourable Sindh 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 favourable decisions in appeals. Accordingly, no provision has been made in these financial statements for the above amount.

	June 30, 2011	June 30, 2010
	(Rupees in '000)	
14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	<u>10,571,412</u>	<u>7,942,235</u>
Weighted average number of shares outstanding during the period	<u>836,236,476</u>	<u>836,236,476</u>
Basic and diluted Earnings per share - after tax	<u>12.64</u>	<u>9.50</u>

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.

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

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, 2011	Year ended Dec 31, 2010	Six months ended June 30, 2011	Year ended Dec 31, 2010	Six months ended June 30, 2011	Year ended Dec 31, 2010	Six months ended June 30, 2011	Year ended Dec 31, 2010
	(Rupees in '000)							
Deposits								
Deposits at beginning of the period / year	2,095,056	1,394,294	955,014	789,205	77,043	40,644	24,762,137	18,231,801
Deposits received during the period / year	17,744,725	51,883,458	68,783,548	108,743,238	402,302	827,231	97,921,300	224,429,580
Deposits repaid during the period / year	(17,965,464)	(51,182,696)	(69,158,586)	(108,577,429)	(429,004)	(790,832)	(97,943,594)	(217,899,244)
Deposits at the end of the period / year	<u>1,874,317</u>	<u>2,095,056</u>	<u>579,976</u>	<u>955,014</u>	<u>50,341</u>	<u>77,043</u>	<u>24,739,843</u>	<u>24,762,137</u>
Advances (secured)								
Balance at beginning of the period / year	-	-	-	-	112,548	1,141	-	-
Loan granted during the period / year	-	-	-	-	239,628	111,970	-	-
Repayment during the period / year	-	-	-	-	(308)	(563)	-	-
Balance at end of the period / year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>351,868</u>	<u>112,548</u>	<u>-</u>	<u>-</u>

	June 30, 2011	December 31, 2010
	(Rupees in '000)	
Receivable from Pension Fund	13,835,593	12,542,560

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	June 30, 2011	June / December 31, 2010	June 30, 2011	June / December 31, 2010	June 30, 2011	June / December 31, 2010	June 30, 2011	June / December 31, 2010
	(Rupees in '000)							
Adamjee Insurance Company Limited								
Insurance premium paid	-	-	194,901	193,754	-	-	-	-
Insurance claim settled	-	-	34,426	30,393	-	-	-	-
Rent Income Received	-	-	2,706	4,567	-	-	-	-
Dividend received	-	-	54,051	49,137	-	-	-	-
Outstanding commitments and contingent liabilities	-	-	8,880	4,842	-	-	-	-
Adamjee Life Assurance Company Limited								
Insurance Premium Paid	-	-	26,342	-	-	-	-	-
Euronet Pakistan Private Limited								
ATM Outsourcing Revenue	-	-	23,341	-	-	-	-	-
Training expenses reimbursed	-	-	27	-	-	-	-	-
Capital injection	-	-	52,521	-	-	-	-	-
Trade payable	-	-	28,477	-	-	-	-	-
Mayban International Trust (Labuan) Berhad								
Dividend paid	-	-	-	-	-	-	957,871	863,880
Bonus shares issued	-	-	-	-	-	-	152,043	138,221
Forward foreign exchange contracts (Notional)	-	-	-	-	-	-	-	4,146,954
Unrealized loss on forward foreign exchange contracts	-	-	-	-	-	-	-	104,258
MNET Services (Private) Limited								
Dividend received	-	-	-	-	35,000	-	-	-
Outsourcing service expenses	-	-	-	-	34,547	38,347	-	-
Networking service expenses	-	-	-	-	-	6,863	-	-
Switch revenue	-	-	-	-	5	62	-	-
Payment system managed service revenue (PSM)	-	-	-	-	8,599	13,361	-	-
Payable for trade debts	-	-	-	-	9,469	31,323	-	-
Receivable for other expenses	-	-	-	-	2,757	-	-	-
MCB Leasing" Closed Joint Stock Company								
Capital injection	-	-	-	-	-	84,138	-	-
MCB Financial Services Limited								
Dividend received	-	-	-	-	2,750	-	-	-
MCB Trade Services Limited								
Dividend received	-	-	-	-	4,664	9,929	-	-
MCB Asset Management Company Limited								
Dividend received	-	-	-	-	29,998	-	-	-
Markup paid	-	-	-	-	1,340	19	-	-
Markup payable	-	-	-	-	701	48	-	-
Sale commission payable	-	-	-	-	3,500	-	-	-
Commission on distribution of unites	-	-	-	-	11,520	-	-	-
Others	-	-	-	-	3,872	1,313	-	-
MCB Employees Foundation								
Service expenses	-	-	-	-	-	-	8,969	9,156
Cash sorting expenses	-	-	-	-	-	-	22,011	13,394
Stationery Expenses	-	-	-	-	-	-	73,486	74,785
Cash in transit expenses	-	-	-	-	-	-	-	219
Security guard expenses	-	-	-	-	-	-	98,319	80,713
Advance receivable	-	-	-	-	-	-	20,000	20,000
Payable for stationery expenses	-	-	-	-	-	-	1,895	394
Others								
Remuneration of key management personnel	43,180	48,773	-	-	-	-	160,799	147,857
Miscellaneous expenses	-	-	-	-	-	-	100,095	82,737
Investment in Metro-Bank Pakistan Sovereign Fund-Perpetual	-	-	-	-	-	-	1,500,000	-
Contribution to provident fund	-	-	-	-	-	-	38,430	78,477

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.

18 ISLAMIC BANKING BUSINESS

The Statement of Financial Position of the Bank's Islamic Banking Branches as at June 30, 2011 is as follows:

	June 30, 2011	December 31, 2010
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	473,231	526,377
Investments - net	3,038,241	2,147,807
Financing and receivables		
- Murabaha	4,690,656	1,976,942
- Ijara	214,241	381,315
- Islamic export refinance	1,106,117	1,048,050
Deferred tax assets		1,846
Other assets	731,657	3,260,611
	10,254,143	9,342,948
Liabilities		
Bills payable	30,868	74,335
Deposits and other accounts		
- Current accounts	729,180	322,253
- Saving accounts	3,080,041	2,902,032
- Term deposits	3,511,369	2,960,509
- Others	2,120	166
Borrowing from SBP	1,259,950	1,079,000
Due to head office	61,220	657,640
Deferred tax liability	1,585	-
Other liabilities	460,110	379,331
	9,136,443	8,375,266
Net assets	1,117,700	967,682
Represented by:		
Islamic Banking Fund	1,000,000	850,000
Unappropriated profit	114,756	121,110
	1,114,756	971,110
Surplus / (deficit) on revaluation of assets - net of tax	2,944	(3,428)
	1,117,700	967,682
Remuneration to Shariah Advisor / Board	877	1,424
Charity fund		
Opening Balance	1,763	1,998
Additions during the year		
Received from customers on delayed payments	974	1,621
Profit on Charity Saving Account	63	144
	1,037	1,765
Less Distribution of Charity		
Social Welfare	-	-
Health	-	-
Education	-	-
Relief and Disaster Recovery	-	(2,000)
	-	(2,000)
Closing Balance	2,800	1,763

The profit and loss account of the Bank's Islamic banking Branches for the six months period ended June 30, 2011 is as follows:

	Six months ended June 30, 2011	Six months ended June 30, 2010
	(Rupees in '000)	
Income / return / profit earned	777,003	608,035
Income / return / profit expensed	544,631	424,571
Net Income / Profit	<u>232,372</u>	<u>183,464</u>
Provision against loans and advances - net	10,000	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>10,000</u>	<u>-</u>
Net profit / income after provisions	<u>222,372</u>	<u>183,464</u>
Other income		
Fees, commission and brokerage income	20,510	12,853
Dividend income	-	-
Income from dealing in foreign currencies	43	1,899
Other Income	16,047	6,360
Total other income	<u>36,600</u>	<u>21,112</u>
	258,972	204,576
Other expenses		
Administrative expenses	144,166	77,748
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	50	6
Total other expenses	<u>144,216</u>	<u>77,754</u>
Extra ordinary / unusual items	-	-
Profit before taxation	<u>114,756</u>	<u>126,822</u>

19 GENERAL

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

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on July 26, 2011 has announced cash dividend in respect of the six months period ended June 30, 2011 of Rs. 3.00 per share (June 30, 2010: Rs 3.00 per share). These unconsolidated condensed interim financial statements for the six months period ended June 30, 2011 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 July 26, 2011.

President and Chief Executive

Director

Director

Director