



MCB Bank Limited

Consolidated Condensed Interim Financial Statements
for nine months period ended September 30, 2009

MCB Bank Limited & Subsidiary Companies
Consolidated Condensed Interim Balance Sheet (Un-audited)

As at September 30, 2009

	<i>Note</i>	Unaudited September 30, 2009	Audited December 31, 2008
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		39,232,967	39,631,219
Balances with other banks		2,973,337	4,106,526
Lendings to financial institutions	7	4,813,908	4,100,079
Investments - net	8	145,123,050	97,790,391
Advances - net	9	238,290,750	262,508,830
Operating fixed assets		17,703,636	17,320,485
Deferred tax assets - net		-	-
Other assets - net		23,094,089	19,828,228
		471,231,737	445,285,758
Liabilities			
Bills payable		8,391,834	10,551,468
Borrowings	10	12,792,927	22,663,840
Deposits and other accounts	11	362,097,405	330,245,080
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	25,540	440,295
Other liabilities		17,875,078	21,252,942
		401,182,784	385,153,625
Net assets		70,048,953	60,132,133
Represented by:			
Share capital		6,911,045	6,282,768
Reserves		37,997,343	36,772,321
Un-appropriated profit		16,698,180	11,065,723
		61,606,568	54,120,812
Minority interest		78	69
		61,606,646	54,120,881
Surplus on revaluation of assets - net of tax		8,442,307	6,011,252
		70,048,953	60,132,133

Contingencies and commitments

13

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.4.

President and Chief Executive

Director

Director

Director

MCB Bank Limited & Subsidiary Companies
Consolidated Condensed Interim Profit and Loss Account (Un-audited)
For the nine months period ended September 30, 2009

<i>Note</i>	Quarter ended September 30, 2009	Nine months ended September 30, 2009	Quarter ended September 30, 2008	Nine months ended September 30, 2008
----- (Rupees in '000) -----				
Mark-up / return / interest earned	12,352,280	38,293,738	11,151,809	28,089,531
Mark-up / return / interest expensed	3,830,720	11,661,235	3,432,428	7,780,323
Net mark-up / interest income	8,521,560	26,632,503	7,719,381	20,309,208
Provision against loans and advances - net	854,575	4,228,337	754,723	1,996,410
Provision for diminution in the value of investments - net	232,426	751,079	-	209,209
Bad debts written off directly	33,305	34,525	690	1,487
	1,120,306	5,013,941	755,413	2,207,106
Net mark-up / interest income after provisions	7,401,254	21,618,562	6,963,968	18,102,102
Non mark-up / interest income				
Fee, commission and brokerage income	798,614	2,531,750	632,674	2,228,757
Income from trustee ship	4,477	12,635	5,724	16,663
Dividend income	107,096	256,025	283,556	402,439
Income from dealing in foreign currencies	(37,122)	264,157	581,440	533,292
Gain / (loss) on sale of securities - net	143,322	265,072	(23,980)	742,428
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(21,280)	7,151	2,354	(43,678)
Other income	204,732	655,571	251,216	785,551
Total non mark-up / interest income	1,199,839	3,992,361	1,732,984	4,665,452
	8,601,093	25,610,923	8,696,952	22,767,554
Non-mark-up / interest expenses				
Administrative expenses	2,420,043	7,345,485	2,747,160	5,883,189
Other provisions	5,240	113,156	5,001	13,103
Other charges	216,844	503,702	217,932	528,070
Total non mark-up/interest expenses	2,642,127	7,962,343	2,970,093	6,424,362
Share of profit of associated undertaking	514,610	734,654	12,225	850,555
	6,473,576	18,383,234	5,739,084	17,193,747
Extra ordinary / unusual item	-	-	-	-
Profit before taxation	6,473,576	18,383,234	5,739,084	17,193,747
Taxation - current period	2,286,042	6,897,362	1,955,884	5,542,584
- prior years	-	(85,600)	(204,500)	(834,769)
- deferred	(357,195)	(945,228)	(15,216)	135
Share of tax of associated undertaking	13,546	65,227	(4,548)	(35,259)
	1,942,393	5,931,761	1,731,620	4,672,691
Profit after taxation	4,531,183	12,451,473	4,007,464	12,521,056
Share of profit attributable to minority interest	(4)	(9)	(6)	(11)
Profit attributable to ordinary shareholders	4,531,179	12,451,464	4,007,458	12,521,045

Earnings per share - basic and diluted - Rupees

11

6.56

18.02

5.80

18.12

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 8.4.

MCB Bank Limited & Subsidiary Companies
Consolidated Condensed Interim Cash Flow Statement (Un-audited)
For the nine months period ended September 30, 2009

	September 30, 2009	September 30, 2008
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	18,383,234	17,193,747
Less: Dividend income and share of profit in associated undertaking	(990,679)	(1,252,994)
	<u>17,392,555</u>	<u>15,940,753</u>
Adjustments for non-cash charges		
Depreciation	673,925	610,806
Amortization	114,637	104,443
Provision against loans and advances - net	4,228,337	1,996,410
Provision for diminution in the value of investments - net	751,079	210,431
Other provisions	113,156	13,103
Bad debts written off directly	34,525	1,487
Gain on disposal of fixed assets	(20,337)	(20,132)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	7,151	20,680
	<u>5,902,473</u>	<u>2,937,228</u>
	23,295,028	18,877,981
(Increase) / decrease in operating assets		
Lendings to financial institutions	(713,829)	(17,649,835)
Net investment in held for trading securities	151,100	17,897
Advances - net	19,955,218	(31,832,373)
Other assets - net	(3,422,102)	(2,709,225)
	<u>15,970,387</u>	<u>(52,173,536)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(2,159,634)	(3,164,672)
Borrowings	(9,870,913)	(21,002)
Deposits and other accounts	31,852,325	31,852,415
Other liabilities	(8,747,648)	13,752,269
	<u>11,074,130</u>	<u>42,419,010</u>
	50,339,545	9,123,455
Income tax paid	(1,467,790)	(4,126,123)
Net cash flows from operating activities	<u>48,871,755</u>	<u>4,997,332</u>
Cash flows from investing activities		
Net investments in available-for-sale securities	(48,048,574)	22,491,018
Net investments in held-to-maturity securities	3,388,955	(5,119,610)
Dividend income received	241,907	198,751
Investment in operating fixed assets - net of disposals	(1,151,376)	(1,478,498)
Net cash flows from investing activities	<u>(45,569,088)</u>	<u>16,091,661</u>
Cash flows from financing activities		
Payment of sub-ordinated loan	-	(479,232)
Dividend paid	(4,878,618)	(6,828,569)
Net cash flows from financing activities	<u>(4,878,618)</u>	<u>(7,307,801)</u>
Exchange difference on translation of net investment in foreign branches	44,510	271,744
Increase in cash and cash equivalents	<u>(1,531,441)</u>	<u>14,052,936</u>
Cash and cash equivalents at January 1	43,737,745	43,551,474
Cash and cash equivalents at September 30	<u>42,206,304</u>	<u>57,604,410</u>

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

President and Chief Executive

Director

Director

Director

MCB Bank Limited & Subsidiary Companies
Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2009

	Capital Reserves			Other Reserves		Unappropriated profit	Sub total	Minority Interest	Total
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	General reserve				
	----- (Rupees in '000) -----								
Balance as at January 01, 2008	6,282,768	9,702,528	(41,692)	6,740,091	17,600,000	7,054,472	47,338,167	63	47,338,230
Change in equity for nine months ended September 30, 2008									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	15,566	15,566	-	15,566
Exchange differences on translation of net investment in foreign branches	-	-	271,744	-	-	-	271,744	-	271,744
Net income recognised directly in equity	-	-	271,744	-	-	15,566	287,310	-	287,310
Profit after taxation for nine months period ended September 30, 2008	-	-	-	-	-	12,521,056	12,521,056	-	12,521,056
Share of profit attributable to minority interest	-	-	-	-	-	(11)	(11)	11	-
Total comprehensive income for the period ended September 30, 2008	-	-	271,744	-	-	12,536,611	12,808,355	11	12,808,366
Transferred to statutory reserve	-	-	-	1,162,336	-	(1,162,336)	-	-	-
Interim cash dividend	-	-	-	-	-	-	-	(2)	(2)
Transferred to general reserve	-	-	-	-	1,000,000	(1,000,000)	-	-	-
Final cash dividend - December 31, 2007	-	-	-	-	-	(3,141,384)	(3,141,384)	(2)	(3,141,386)
Interim cash dividend - March 31, 2008	-	-	-	-	-	(1,884,831)	(1,884,831)	-	(1,884,831)
Interim cash dividend - June 30, 2008	-	-	-	-	-	(1,884,831)	(1,884,831)	-	(1,884,831)
Balance as at September 30, 2008	6,282,768	9,702,528	230,052	7,902,427	18,600,000	10,517,701	53,235,476	70	53,235,546
Change in equity for three months ended December 31, 2008									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,807	5,807	-	5,807
Exchange differences on translation of net investment in foreign branches	-	-	(37,810)	-	-	-	(37,810)	-	(37,810)
Net income recognised directly in equity	-	-	(37,810)	-	-	5,807	(32,003)	-	(32,003)
Profit after taxation for three months period ended December 31, 2008	-	-	-	-	-	2,802,171	2,802,171	-	2,802,171
Share of profit attributable to minority interest	-	-	-	-	-	(1)	(1)	1	-
Total comprehensive income for the period ended December 31, 2008	-	-	(37,810)	-	-	2,807,977	2,770,167	1	2,770,168
Transferred to statutory reserve	-	-	-	375,124	-	(375,124)	-	-	-
Interim cash dividend	-	-	-	-	-	-	-	(2)	(2)
Interim cash dividend - September 30, 2008	-	-	-	-	-	(1,884,831)	(1,884,831)	-	(1,884,831)
Balance as at December 31, 2008	6,282,768	9,702,528	192,242	8,277,551	18,600,000	11,065,723	54,120,812	69	54,120,881
Change in equity for nine months ended September 30, 2009									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	16,028	16,028	-	16,028
Exchange differences on translation of net investment in foreign branches	-	-	44,510	-	-	-	44,510	-	44,510
Net income recognised directly in equity	-	-	44,510	-	-	16,028	60,538	-	60,538
Profit after taxation for nine months period ended September 30, 2009	-	-	-	-	-	12,451,473	12,451,473	-	12,451,473
Share of profit attributable to minority interest	-	-	-	-	-	(9)	(9)	9	-
Total comprehensive income for the period ended September 30, 2009	-	-	44,510	-	-	12,467,492	12,512,002	9	12,512,011
Transferred to statutory reserve	-	-	-	1,180,512	-	(1,180,512)	-	-	-
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	(628,277)	-	-	-
Final cash dividend - December 31, 2008	-	-	-	-	-	(1,570,692)	(1,570,692)	-	(1,570,692)
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)	(1,727,781)	-	(1,727,781)
Interim cash dividend - June 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)	-	(1,727,773)
Balance as at September 30, 2009	6,911,045	9,702,528	236,752	9,458,063	18,600,000	16,698,180	61,606,568	78	61,606,646

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

President and Chief Executive

Director

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MCB Bank Limited & Subsidiary Companies
Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine months period ended September 30, 2009

	Quarter ended September 30, 2009	Nine months ended September 30, 2009	Quarter ended September 30, 2008	Nine months ended September 30, 2008
------(Rupees '000') -----				
Profit after tax for the period	4,531,183	12,451,473	4,007,464	12,521,056
Other comprehensive income				
Effect of translation of net investment in foreign branches	34,503	44,510	157,735	271,744
Surplus on revaluation of fixed assets relating to incremental depreciation	8,217	24,658	1,043	23,948
Income tax relating to incremental depreciation on revaluation of fixed assets	(2,876)	(8,630)	(365)	(8,382)
Total comprehensive income for the period	4,571,027	12,512,011	4,165,877	12,808,366

Surplus/ deficit on revaluation of 'Available for sale' securities and 'fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated 04 August 2000 and BSD circular 10 dated 13 July 2004 and Companies Ordinance, 1984 respectively.

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

President and Chief Executive

Director

Director

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MCB Bank Limited & Subsidiary Companies
Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the nine months period ended September 30, 2009

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company	
- MCB Bank Limited	
	"Percentage holding of MCB Bank Limited"
Subsidiary Companies	
- Muslim Commercial Financial Services (Private) Limited	99.99%
- MNET Services (Private) Limited	99.95%
- MCB Trade Services Limited	100%
- MCB Asset Management Company Limited	99.99%

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) (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 1,052 branches including 11 Islamic banking branches (December 31, 2008: 1,040 branches including 11 Islamic banking branches) with in Pakistan and 7 (December 31, 2008: 7) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

- a) 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 consolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilised and
- b) The financial results of the Islamic banking branches have been consolidated in these consolidated 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 consolidated condensed interim financial statements.
- c) The consolidated condensed financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.
- d) 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 on the unaudited financial statements for the period ended September 30, 2009 and the carrying value of investments held by the bank is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.
- e) 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 associate. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associate has been accounted for based on the financial statements for the period ended September 30, 2009.
- f) Minority interest are 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.

3 STATEMENT OF COMPLIANCE

- 3.1** These consolidated 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

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 consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan

3.3 The disclosures made in these consolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the statements required for full annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2008.

3.4 During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standards has resulted in certain increased disclosures only.

4 BASIS OF MEASUREMENT

4.1 These consolidated 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 consolidated condensed interim financial statements are presented in Pak Rupees, which is the Banks's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

5.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31,

5.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2008.

6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for significant accounting estimates and judgments adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2008.

7. LENDINGS TO FINANCIAL INSTITUTIONS

September 30, December 31,
2009 2008
----- (Rupees in '000) -----

Call money lendings	1,100,000	1,700,000
Repurchase agreement	3,713,908	2,400,079
	<u>4,813,908</u>	<u>4,100,079</u>

September 30, 2009

	Held by bank	Given as collateral	Total
	----- Rupees in 000 -----		
8 INVESTMENTS - NET			
8.1 Investments by types			
Held-for-trading securities	272,574	-	272,574
Available-for-sale securities 8.2	130,828,665	919,023	131,747,688
Held-to-maturity securities 8.2	13,156,591	-	13,156,591
	<u>144,257,830</u>	<u>919,023</u>	<u>145,176,853</u>
Associates			
Adamjee Insurance Company Limited 8.3	3,212,939	-	3,212,939
First Women Bank Limited	63,300	-	63,300
	<u>3,276,239</u>	<u>-</u>	<u>3,276,239</u>
Investments at cost	<u>147,534,069</u>	<u>919,023</u>	<u>148,453,092</u>
Less: Provision for diminution in the value of investments	(3,438,855)	-	(3,438,855)
Investments (net of provisions)	<u>144,095,214</u>	<u>919,023</u>	<u>145,014,237</u>
Surplus / (deficit) on revaluation of available for sale securities - net	110,330	(8,668)	101,662
Surplus on revaluation of held-for-trading securities - net	7,151	-	7,151
Investments at revalued amounts - net of provisions	<u>144,212,695</u>	<u>910,355</u>	<u>145,123,050</u>

		December 31, 2008		
		Held by bank	Given as collateral	Total
		----- Rupees in '000 -----		
Held-for-trading securities		523,205	-	523,205
Available-for-sale securities	8.2	77,768,664	6,287,636	84,056,300
Held-to-maturity securities	8.2	16,545,546	-	16,545,546
		94,837,415	6,287,636	101,125,051
Associates				
Adamjee Insurance Company Limited	8.3	2,511,489	-	2,511,489
First Women Bank Limited		63,300	-	63,300
		2,574,789	-	2,574,789
Investments at cost		97,412,204	6,287,636	103,699,840
Less: Provision for diminution in the value of investments		(3,044,962)	-	(3,044,962)
Investments (net of provisions)		94,367,242	6,287,636	100,654,878
Deficit on revaluation of available for sale securities - net		(2,763,336)	(1,620)	(2,764,956)
Deficit on revaluation of held-for-trading securities - net		(99,531)	-	(99,531)
Investments at revalued amounts - net of provisions		91,504,375	6,286,016	97,790,391

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2008: 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, 2008: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

8.3 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 Investment in Associates". The market value of the investment in Adamjee Insurance Company Limited as at September 30, 2009 amounted to Rs. 3,615.162 million (December 31, 2008: Rs. 3,032.786 million).

	September 30, 2009	December 31, 2008
	Rs. in '000	
Opening Balance	2,511,489	3,277,157
Share of profits	734,654	30,843
Dividend from	(78,917)	(89,340)
Share of tax	(65,227)	(25,164)
	590,510	(83,661)
Share of unrealised deficit on investments -	110,940	(682,007)
Closing balance	3,212,939	2,511,489

8.4 The impairment loss recognized in the profit and loss account has been measured in accordance with State Bank of Pakistan BSD Circular No. 4 dated February 13, 2009 and BSD Circular No. 08 dated August 01, 2009.

The recognition of impairment loss based on the market values as at September 30, 2009 would have had the following effect on these consolidated condensed interim financial statements:

	September 30, 2009 (Rupees in '000)
Increase in 'Impairment Loss' in Profit and Loss Account	611,877
Decrease in tax charge for the year	214,157
Decrease in profit for the year - after tax	397,720
	Rupees
Decrease in earnings per share -after tax	0.58

9 ADVANCES - NET

	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	234,564,031	252,387,594
- Outside Pakistan	6,590,189	8,910,253
	241,154,220	261,297,847
Net Investment in finance lease		
- In Pakistan	4,294,510	5,356,835
- Outside Pakistan	74,250	90,733
	4,368,760	5,447,568
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	3,438,669	2,364,211
- Payable outside Pakistan	4,205,286	4,111,059
	7,643,955	6,475,270
Advances - gross	253,166,935	273,220,685
Less: Provision against loans and advances		
- Specific provision	9.1 (14,048,363)	(9,895,889)
- General provision	(253,168)	(273,222)
- General provision against consumer loans	(544,386)	(533,693)
- General Provision for potential lease losses (in Srilanka Operations)	(30,268)	(9,051)
	(14,876,185)	(10,711,855)
Advances - net of provision	238,290,750	262,508,830

9.1 Advances include Rs. 21,854.131 million (December 31, 2008: Rs. 18,268.877 million) which have been placed under non-performing status as detailed below:

Category of Classification	September 30, 2009				
	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM 9.1.1)	227,357	-	227,357	-	-
Substandard	3,543,046	15,092	3,558,138	841,952	841,952
Doubtful	3,193,928	1,231	3,195,159	1,444,738	1,444,738
Loss	10,959,390	3,914,087	14,873,477	11,761,673	11,761,673
	17,923,721	3,930,410	21,854,131	14,048,363	14,048,363

Category of Classification	December 31, 2008				
	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM 9.1.1)	100,447	-	100,447	-	-
Substandard	5,440,860	-	5,440,860	897,768	897,768
Doubtful	2,595,782	501	2,596,283	1,186,556	1,186,556
Loss	6,457,011	3,674,276	10,131,287	7,811,565	7,811,565
	14,594,100	3,674,777	18,268,877	9,895,889	9,895,889

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 SBP.

10 BORROWINGS

	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
In Pakistan	11,272,152	17,742,776
Outside Pakistan	1,520,775	4,921,064
	12,792,927	22,663,840
	September 30,	December 31,

	2009	2008
	----- (Rupees in '000) -----	
10.1 Details of borrowings (secured / unsecured)		
Secured		
Borrowings from State Bank of Pakistan		
Export refinance scheme	7,450,709	9,217,004
Long term financing - export oriented products scheme	2,110,958	2,100,751
	9,561,667	11,317,755
Borrowings from other financial institutions	634,053	-
Repurchase agreement borrowings	995,866	6,325,021
	1,629,919	6,325,021
	11,191,586	17,642,776
Unsecured		
Overdrawn nostro accounts	468,748	4,418,990
Call borrowings	1,132,593	602,074
	1,601,341	5,021,064
	12,792,927	22,663,840

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	58,339,860	61,680,332
Savings deposits	171,513,509	150,925,503
Current accounts - non remunerative	122,734,674	105,376,753
Margin accounts	2,809,449	3,137,434
Others	514	563
	355,398,006	321,120,585

Financial institutions

Remunerative deposits	1,828,497	5,197,969
Non-remunerative deposits	4,870,902	3,926,526
	6,699,399	9,124,495
	362,097,405	330,245,080

September 30, December 31,
2009 2008

----- (Rupees in '000) -----

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	508,446	517,120
Accelerated tax depreciation	688,354	685,838
Net investment in finance lease	301,189	436,823
Others	5,985	-
	1,503,974	1,639,781

Deductible temporary differences on:

Deficit on revaluation of securities	(131,492)	(661,966)
Provision for contributory benevolent scheme	(51,722)	(79,121)
Provision for post retirement medical benefits	(411,464)	(455,587)
Provision for gratuity	(2,260)	(2,260)
Provision for bad debts	(881,496)	-
Others		(552)
	(1,478,434)	(1,199,486)
	25,540	440,295

- 12.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable up to a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances can be carried over to succeeding years. However the management, based on the projections prepared by the Bank, is of the view that it would be able to get deduction of provision in excess of 1% of total advances and accordingly has recognised

September 30, December 31,
2009 2008
----- (Rupees in '000) -----

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

- Government
- Banks and financial institutions
- Others
- Suppliers credit / payee guarantee

5,415,466	5,743,838
13,770	36,030
14,958,014	15,148,692
2,341,416	2,255,011
22,728,666	23,183,571

13.2 Trade-related contingent liabilities

55,061,938	54,869,480
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September 30, December 31,
2009 2008
----- (Rupees in '000) -----

13.3 Other contingencies

Claims against the Bank not acknowledged as debts

469,040	226,246
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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.

13.5 Commitments in respect of forward foreign exchange contracts

Purchase

38,832,015	69,708,932
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Sale

34,355,140	67,476,228
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13.6 Commitments for the acquisition of fixed assets

-	557,810
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13.7 Other commitments

Cross currency swaps (notional amount)

287,972	346,254
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Interest rate swaps (notional amount)

250,000	2,410,797
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Forward outright sale of Government Securities

-	20,827,530
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Outright purchase of Government Securities from SBP

-	26,644,450
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13.8 Taxation

The income tax assessments of the Bank have been finalised upto and including the Tax Year 2008. For the Tax Years 2003 to 2007, the department has amended the assessments on certain issues against which the Bank has filed appeal before the Commissioner of Income Tax (Appeals). In respect of the Tax Year 2003 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided the matter in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). The management and 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. For Tax Year 2007, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 716.713 million against which the legal/appellate course from the Bank has reached ITAT level.

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 tax liability for interest in suspense of 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.

Nine months ended
September 30, September 30,
2009 2008
---- (Rupees in '000) ----

14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

Profit after taxation

12,451,473	12,521,056
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Number of shares

Weighted average number of shares outstanding during the period

691,104,527	691,104,527
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Rupees

Basic and diluted Earnings per share - after tax

18.02	18.12
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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:

	Nine months ended September 30, 2009						Total
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Eliminations	
	------(Rupees in '000)-----						
Total income	87,932	7,681,701	21,821,328	13,394,601	138,744	(103,553)	43,020,753
Total expenses	(27,520)	(1,828,830)	(20,288,869)	(2,522,216)	(73,637)	103,553	(24,637,519)
Income tax expense	-	-	-	-	-	-	(5,931,761)
Net income	60,412	5,852,871	1,532,459	10,872,385	65,107	-	12,451,473
Segment assets - (Gross of NPLs Provisions)	25,736	164,373,477	119,357,306	201,531,170	481,939	(489,527)	485,280,101
Total assets	25,736	164,373,477	119,357,306	201,531,170	481,939	(489,527)	485,280,101
Segment non performing loans	-	-	7,807,295	14,046,836	-	-	21,854,131
Segment specific provision required	-	-	5,018,718	9,029,645	-	-	14,048,363
Segment liabilities	-	143,966,927	87,490,553	164,863,624	46,308	(489,527)	395,877,885
Deferred tax liabilities - net	-	-	-	-	-	-	25,540
Provision for taxation	-	-	-	-	-	-	5,279,359
Total liabilities - net	-	143,966,927	87,490,553	164,863,624	-	(489,527)	401,182,784
Segment return on assets (ROA) (%)	312.98%	4.75%	1.79%	7.53%	18.01%	-	3.52%
Segment cost of fund (%)	-	2.01%	3.80%	4.54%	-	-	3.82%
	Nine months ended September 30, 2008						
Total income	86,890	7,911,209	15,203,609	10,449,536	206,110	(251,816)	33,605,538
Total expenses	(26,087)	(892,683)	(13,344,411)	(2,280,746)	(119,680)	251,816	(16,411,791)
Income tax expense	-	-	-	-	-	-	(4,672,691)
Net income	60,803	7,018,526	1,859,198	8,168,790	86,430	-	12,521,056
Segment assets - (Gross of NPLs provision)	24,748	126,996,278	144,119,106	185,092,101	477,682	(456,561)	456,253,354
Total assets	24,748	126,996,278	144,119,106	185,092,101	477,682	(456,561)	456,253,354
Segment non performing loans	-	-	5,256,233	8,064,083	-	-	13,320,316
Segment specific provision required	-	-	3,569,811	5,476,785	-	-	9,046,596
Segment liabilities	-	113,030,971	122,740,025	159,494,562	67,185	(456,561)	394,876,182
Deferred tax assets	-	-	-	-	-	-	272,964
Provision for taxation	-	-	-	-	-	-	1,944,144
Total liabilities - net	-	113,030,971	122,740,025	159,494,562	67,185	(456,561)	397,093,290
Segment return on assets (ROA) (%)	327.58%	7.37%	1.72%	5.88%	24.12%	-	3.66%
Segment cost of fund (%)	-	4.72%	2.61%	3.86%	-	-	2.76%

17 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associated undertakings, employee benefit plans and its key management personnel (including their associates) and companies with common directors.

Transactions between the Group and its related parties are carried out at an arm's length basis under the comparable uncontrolled price 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		Other Related Parties	
	Nine months ended September 30, 2009	Year ended Dec 31, 2008	Nine months ended September 30, 2009	Year ended Dec 31, 2008	Nine months ended September 30, 2009	Year ended Dec 31, 2008
----- (Rupees in '000) -----						
Deposits						
Deposits at beginning of the period / year	425,898	17,980	301,929	275,826	7,060,632	209,716
Deposits received during the period / year	13,989,280	10,910,613	51,727,629	302,979,123	27,243,469	50,640,762
Deposits repaid during the period / year	(14,367,895)	(10,502,695)	(51,776,386)	(302,953,020)	(23,463,235)	(43,789,846)
Deposits at the end of the period / year	47,283	425,898	253,172	301,929	10,840,866	7,060,632

Advances (secured)

Balance at beginning of the period / year	-	-	-	-	-	1,661,869
Loan granted during the period / year	-	-	-	-	-	524,153
Repayment during the period / year	-	-	-	-	-	(2,186,022)
Balance at end of the period / year	-	-	-	-	-	-

	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
Receivable from Pension Fund	8,213,275	5,399,019

	Directors		Associated companies		Other Related Parties	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
----- (Rupees in '000) -----						

Adamjee Insurance Company Limited

Insurance premium paid	-	-	182,058	74,624	-	-
Insurance claim settled	-	-	76,061	72,897	-	-
Dividend income	-	-	78,917	44,670	-	-
Rent income received	-	-	8,846	5,625	-	-

Mayban International Trust (Labuan) Berhad

Dividend paid	-	-	942,415	376,966	-	-
Bonus shares issued	-	-	125,655	-	-	-
Forward foreign exchange contracts (Notional)	-	-	4,142,157	1,423,891	-	-
Unrealized loss on forward foreign exchange contracts	-	-	40,589	6,399	-	-

MCB Employees Foundation

- Service expenses	-	-	-	-	12,462	13,257
- Cash sorting expenses	-	-	-	-	14,840	12,999
- Cash in transit expenses	-	-	-	-	780	5,863

Others

- Remuneration of key management personnel	52,326	34,863	-	-	188,477	185,056
- Miscellaneous expenses	-	-	-	-	31,888	56,827
- Contribution to provident fund	-	-	-	-	111,174	99,440

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 balance sheet of the bank's Islamic Banking Branches as at September 30, 2009 is as follows:

	September 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	334,588	185,177
Investments - net	1,699,313	1,781,727
Financing and receivables		
- Murabaha	1,213,137	2,573,116
- Ijara	837,281	1,197,762
- Islamic export refinance	847,253	978,303
Deferred tax assets	1,778	-
Other assets	2,472,893	2,561,843
	7,406,243	9,277,928
Liabilities		
Bills payable	18,689	73,540
Deposits and other accounts		
- Current accounts	224,007	175,350
- Saving accounts	1,261,365	1,110,499
- Term deposits	273,067	75,740
- Others	1,974	2,681
Borrowing from SBP	845,200	966,500
Due to head office	3,100,000	5,750,000
Deferred tax liability	-	6,650
Other liabilities	655,126	244,697
	6,379,428	8,405,657
Net assets	1,026,815	872,271
Represented by:		
Islamic Banking Fund	850,000	650,000
Unappropriated profit	180,118	209,921
	1,030,118	859,921
Surplus / (deficit) on revaluation of assets - net of tax	(3,303)	12,350
	1,026,815	872,271
Remuneration to Shariah Advisor / Board	623	560
Charity fund		
Opening balance	2,093	4,227
Additions during the period / year	1,287	1,566
Payments/ utilization during the period / year	(1,500)	(3,700)
Closing balance	1,880	2,093

The profit and loss account of the Bank's Islamic Banking Branches for the nine months period ended September 30, 2009 is as follows:

	Nine months ended September 30, 2009	Nine months ended September 30, 2008
	----- (Rupees in '000) -----	
Income / return / profit earned	799,493	596,076
Income / return / profit expensed	526,066	395,888
Net Income / Profit	<u>273,427</u>	<u>200,188</u>
Provision against loans and advances - net	37,756	9,361
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>37,756</u>	<u>9,361</u>
Net profit / income after provisions	<u>235,671</u>	<u>190,827</u>
Other income		
Fees, commission and brokerage income	6,419	4,359
Dividend income	-	-
Income from dealing in foreign currencies	4,785	1,156
Other Income	41,936	11,574
Total other income	<u>53,140</u>	<u>17,089</u>
	<u>288,811</u>	<u>207,916</u>
Other expenses		
Administrative expenses	108,472	54,807
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	221	666
Total other expenses	<u>108,693</u>	<u>55,473</u>
Extra ordinary / unusual items	-	-
Profit before taxation	<u>180,118</u>	<u>152,443</u>

19 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Comparative figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 23, 2009 has announced cash dividend in respect of the nine months period ended September 30, 2009 of Rs. 2.50 per share (September 30, 2008: Rs 3.00 per share). These consolidated condensed interim financial statements for the nine months period ended September 30, 2009 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 consolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on October 23, 2009 .

President and Chief Executive

Director

Director

Director