



MCB Bank Limited

Un-consolidated Condensed Interim Financial Statements
for nine months period ended September 30, 2010

MCB Bank Limited

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

As at September 30, 2010

		Unaudited September 30, 2010	Audited December 31, 2009
	<i>Note</i>	----- (Rupees in '000) -----	
Assets			
Cash and balances with treasury banks		43,851,284	38,774,871
Balances with other banks		2,618,970	6,009,993
Lendings to financial institutions	7	9,865,072	3,000,000
Investments - net	8	207,794,073	167,134,465
Advances - net	9	228,577,019	253,249,407
Operating fixed assets		18,297,792	18,014,896
Deferred tax assets - net		-	-
Other assets - net		28,480,605	23,040,095
		539,484,815	509,223,727
Liabilities			
Bills payable		8,844,425	8,201,090
Borrowings	10	14,052,491	44,662,088
Deposits and other accounts	11	422,272,124	367,604,711
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	3,988,155	3,196,743
Other liabilities		15,014,951	15,819,082
		464,172,146	439,483,714
Net assets		75,312,669	69,740,013
Represented by:			
Share capital		7,602,150	6,911,045
Reserves		39,730,142	38,385,760
Un-appropriated profit		19,751,223	15,779,127
		67,083,515	61,075,932
Surplus on revaluation of assets - net of tax		8,229,154	8,664,081
		75,312,669	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

Director

Director

Director

MCB Bank Limited

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

For the nine months period ended September 30, 2010

	Quarter ended September 30, 2010	Nine months ended September 30, 2010	Quarter ended September 30, 2009	Nine months ended September 30, 2009
Note	----- (Rupees in '000) -----			
Mark-up / return / interest earned	13,845,153	40,241,121	12,350,121	38,288,522
Mark-up / return / interest expensed	4,560,406	13,259,716	3,830,445	11,661,518
Net mark-up / interest income	<u>9,284,747</u>	<u>26,981,405</u>	8,519,676	26,627,004
Provision against loans and advances - net	(26,043)	1,867,569	854,575	4,228,337
Provision for diminution in the value of investments - net	(10,587)	114,072	232,426	751,079
Bad debts written off directly	11,216	42,924	33,305	34,525
	<u>(25,414)</u>	<u>2,024,565</u>	1,120,306	5,013,941
Net mark-up / interest income after provisions	<u>9,310,161</u>	<u>24,956,840</u>	7,399,370	21,613,063
Non mark-up / interest income				
Fee, commission and brokerage income	981,609	3,055,395	823,650	2,607,205
Dividend income	95,576	320,834	153,589	343,613
Income from dealing in foreign currencies	199,231	474,943	(37,122)	264,157
Gain on sale of securities - net	170,416	327,231	114,001	237,104
Unrealized gain on revaluation of investments classified as held for trading	-	-	(1,360)	-
Other income	153,054	412,476	130,291	471,527
Total non mark-up / interest income	<u>1,599,886</u>	<u>4,590,879</u>	1,183,049	3,923,606
	<u>10,910,047</u>	<u>29,547,719</u>	8,582,419	25,536,669
Non-mark-up / interest expenses				
Administrative expenses	3,483,624	9,400,111	2,418,335	7,329,623
Other provisions	35,165	39,473	5,240	113,156
Other charges	240,579	745,335	194,551	440,894
Total non mark-up/interest expenses	<u>3,759,368</u>	<u>10,184,919</u>	2,618,126	7,883,673
	<u>7,150,679</u>	<u>19,362,800</u>	5,964,293	17,652,996
Extra ordinary / unusual item	-	-	-	-
Profit before taxation	<u>7,150,679</u>	<u>19,362,800</u>	5,964,293	17,652,996
Taxation - current period	2,197,936	5,964,753	2,272,629	6,878,139
- prior years	-	-	-	(85,600)
- deferred	398,391	901,460	(356,963)	(944,659)
	<u>2,596,327</u>	<u>6,866,213</u>	1,915,666	5,847,880
Profit after taxation	<u>4,554,352</u>	<u>12,496,587</u>	4,048,627	11,805,116
Earnings per share - basic and diluted - Rupees	<u>5.99</u>	<u>16.44</u>	5.33	15.53

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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MCB Bank Limited

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

For the nine months period ended September 30, 2010

	Quarter ended September 30, 2010	Nine months ended September 30, 2010	Quarter ended September 30, 2009	Nine months ended September 30, 2009
	----- (Rupees '000') -----			
Profit after tax for the period	4,554,352	12,496,587	4,048,627	11,805,116
Other comprehensive income				
Effect of translation of net investment in foreign branches	52,175	94,723	36,941	46,469
Comprehensive income transferred to equity	<u>4,606,527</u>	<u>12,591,310</u>	<u>4,085,568</u>	<u>11,851,585</u>
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	<u>(403,606)</u>	<u>(528,631)</u>	362,940	2,865,280
Deferred tax	<u>115,413</u>	<u>110,048</u>	89,553	(530,474)
	(288,193)	(418,583)	452,493	2,334,806
Total comprehensive income for the period	<u><u>4,318,334</u></u>	<u><u>12,172,727</u></u>	<u><u>4,538,061</u></u>	<u><u>14,186,391</u></u>

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Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2010

	September 30, 2010	September 30, 2009
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	19,362,800	17,652,996
Less: Dividend income	(320,834)	(343,613)
	<u>19,041,966</u>	<u>17,309,383</u>
Adjustments for non-cash charges		
Depreciation	742,079	673,925
Amortization	114,017	114,637
Provision against loans and advances - net	1,867,569	4,228,337
Provision for diminution in the value of investments - net	114,072	751,079
Other provisions	39,473	113,156
Bad debts written off directly	42,924	34,525
Gain on disposal of fixed assets	(9,705)	(20,337)
	<u>2,910,429</u>	<u>5,895,322</u>
	<u>21,952,395</u>	<u>23,204,705</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(6,865,072)	(713,829)
Net investment in held for trading securities	-	94,176
Advances - net	22,761,895	19,955,586
Other assets - net	(2,933,125)	(3,253,187)
	<u>12,963,698</u>	<u>16,082,746</u>
Increase / (decrease) in operating liabilities		
Bills payable	643,335	(2,159,634)
Borrowings	(30,609,597)	(9,870,913)
Deposits and other accounts	54,667,413	31,842,251
Other liabilities	(339,503)	(8,728,830)
	<u>24,361,648</u>	<u>11,082,874</u>
	<u>59,277,741</u>	<u>50,370,325</u>
Income tax paid	(9,611,697)	(1,525,543)
Net cash flows from operating activities	<u>49,666,044</u>	<u>48,844,782</u>
Cash flows from investing activities		
Net investments in available-for-sale securities	(42,002,776)	(48,063,574)
Net investments in held-to-maturity securities	784,604	3,403,955
Investment in subsidiary companies	(84,139)	-
Dividend income received	324,647	280,358
Investment in operating fixed assets - net of disposals	(1,129,287)	(1,156,336)
Net cash flows from investing activities	<u>(42,106,951)</u>	<u>(45,535,597)</u>
Cash flows from financing activities		
Dividend paid	(5,968,426)	(4,878,618)
Net cash flows from financing activities	<u>(5,968,426)</u>	<u>(4,878,618)</u>
Exchange difference on translation of net investment in foreign branches	<u>94,723</u>	<u>46,469</u>
Increase in cash and cash equivalents	<u>1,685,390</u>	<u>(1,522,964)</u>
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>46,470,254</u>	<u>42,151,308</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 nine months period ended September 30, 2010

	Capital Reserves			Revenue Reserves		Total	
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	General reserve		Unappropriated profit
	----- (Rupees in '000) -----						
Balance as at January 01, 2009	6,282,768	9,702,528	188,686	8,277,551	18,600,000	9,193,332	52,244,865
Change in equity for nine months ended September 30, 2009							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	15,989	15,989
Exchange differences on translation of net investment in foreign branches	-	-	46,469	-	-	-	46,469
Profit after taxation for nine months period ended September 30, 2009	-	-	-	-	-	11,805,116	11,805,116
Total comprehensive income for the period ended September 30, 2009	-	-	46,469	-	-	11,805,116	11,851,585
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)
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)	(1,727,781)
Interim cash dividend - June 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Balance as at September 30, 2009	6,911,045	9,702,528	235,155	9,458,063	18,600,000	14,179,402	59,086,193
Change in equity for three months ended December 31, 2009							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	6,335	6,335
Exchange differences on translation of net investment in foreign branches	-	-	20,996	-	-	-	20,996
Profit after taxation for three months period ended December 31, 2009	-	-	-	-	-	3,690,181	3,690,181
Total comprehensive income for the period ended December 31, 2009	-	-	20,996	-	-	3,690,181	3,711,177
Transferred to statutory reserve	-	-	-	369,018	-	(369,018)	-
Interim cash dividend - September 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Balance as at December 31, 2009	6,911,045	9,702,528	256,151	9,827,081	18,600,000	15,779,127	61,075,932
Change in equity for nine months ended September 30, 2010							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	16,344	16,344
Exchange differences on translation of net investment in foreign branches	-	-	94,723	-	-	-	94,723
Profit after taxation for nine months period ended September 30, 2010	-	-	-	-	-	12,496,587	12,496,587
Total comprehensive income for the period ended September 30, 2010	-	-	94,723	-	-	12,496,587	12,591,310
Transferred to statutory reserve	-	-	-	1,249,659	-	(1,249,659)	-
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)
Interim cash dividend - June 30, 2010	-	-	-	-	-	(2,280,645)	(2,280,645)
Balance as at September 30, 2010	7,602,150	9,702,528	350,874	11,076,740	18,600,000	19,751,223	67,083,515

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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MCB Bank Limited

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

For the nine months period ended September 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 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 1,102 branches including 12 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.

	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
7. LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lendings	-	3,000,000
Repurchase agreement lendings	<u>9,865,072</u>	-
	<u>9,865,072</u>	<u>3,000,000</u>

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

8 INVESTMENTS - NET

8.1 Investments by types

Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	194,258,643	2,444,986	196,703,629
Held-to-maturity securities	8.2	12,994,638	-	12,994,638
		<u>207,253,281</u>	<u>2,444,986</u>	<u>209,698,267</u>
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		462,065	-	462,065
		<u>1,468,965</u>	-	<u>1,468,965</u>
Investments at cost		<u>208,722,246</u>	<u>2,444,986</u>	<u>211,167,232</u>
Less: Provision for diminution in the value of investments		<u>(3,149,662)</u>	-	<u>(3,149,662)</u>
Investments (net of provisions)		<u>205,572,584</u>	<u>2,444,986</u>	<u>208,017,570</u>
Deficit on revaluation of available for sale securities - net		<u>(219,227)</u>	<u>(4,270)</u>	<u>(223,497)</u>
Investments at revalued amounts - net of provisions		<u>205,353,357</u>	<u>2,440,716</u>	<u>207,794,073</u>

December 31, 2009				
	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>1,384,826</u>
Investments at cost		<u>138,866,288</u>	<u>31,649,563</u>	<u>170,515,851</u>
Less: Provision for diminution in the value of investments		<u>(3,686,520)</u>	-	<u>(3,686,520)</u>
Investments (net of provisions)		<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		<u>331,588</u>	<u>(26,454)</u>	<u>305,134</u>
Investments at revalued amounts - net of provisions		<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 September 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 September 30, 2010 amounted to Rs. 2,345.433 million (December 31, 2009: Rs. 4,039.049 million).

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

9 ADVANCES - NET

Loans, cash credits, running finances, etc

- In Pakistan
- Outside Pakistan

225,392,626	247,718,210
9,199,651	7,788,234
234,592,277	255,506,444

Net Investment in finance lease

- In Pakistan
- Outside Pakistan

2,681,583	3,867,943
45,160	65,492
2,726,743	3,933,435

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan
- Payable outside Pakistan

1,083,597	4,519,520
8,484,391	5,762,777
9,567,988	10,282,297

Advances - gross

246,887,008 269,722,176

Less: Provision against loans and advances

- Specific provision 9.1
- General provision
- General provision against consumer loans
- General Provision for potential lease losses (in Srilanka Operations)

(17,655,090)	(15,678,345)
(246,887)	(269,722)
(377,744)	(494,434)
(30,268)	(30,268)
(18,309,989)	(16,472,769)

Advances - net of provision

228,577,019 253,249,407

9.1 Advances include Rs. 23,887.624 million (December 31, 2009: Rs. 23,238.723 million) which have been placed under non-performing status as detailed below:

		September 30, 2010				
Category of Classification	Note	Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
		----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM)	9.1.1	74,375	-	74,375	-	-
Substandard		1,940,240	43,167	1,983,407	471,948	471,948
Doubtful		3,111,258	64,344	3,175,602	1,504,018	1,504,018
Loss		14,582,244	4,071,996	18,654,240	15,679,124	15,679,124
		<u>19,708,117</u>	<u>4,179,507</u>	<u>23,887,624</u>	<u>17,655,090</u>	<u>17,655,090</u>

		December 31, 2009				
Category of Classification		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
		----- 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.

	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
10 BORROWINGS		
In Pakistan	12,718,860	43,658,408
Outside Pakistan	1,333,631	1,003,680
	<u>14,052,491</u>	<u>44,662,088</u>

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan

Export refinance scheme	7,096,198	8,829,527
Long term financing facility	-	80,220
Long term financing - export oriented products scheme	2,068,845	2,018,330
	<u>9,165,043</u>	<u>10,928,077</u>

Borrowings from other financial institutions

Repurchase agreement borrowings	410,775	452,398
	2,541,546	31,606,331
	<u>2,952,321</u>	<u>32,058,729</u>
	<u>12,117,364</u>	<u>42,986,806</u>

Unsecured

Overdrawn nostro accounts	1,140,282	529,190
Call borrowings	794,845	1,146,092
	<u>1,935,127</u>	<u>1,675,282</u>
	<u>14,052,491</u>	<u>44,662,088</u>

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

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	78,121,839	62,651,531
Savings deposits	189,815,080	173,797,078
Current accounts	143,336,941	123,898,324
Margin accounts	3,218,451	2,910,655
Others	-	767
	414,492,311	363,258,355

Financial institutions

Remunerative deposits	3,827,779	2,258,295
Non-remunerative deposits	3,952,034	2,088,061
	7,779,813	4,346,356
	422,272,124	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	494,847	503,649
Accelerated tax depreciation	705,815	749,828
Receivable from pension fund	3,987,057	3,262,911
Net investment in finance lease	149,242	301,189
	5,336,961	4,817,577

Deductible temporary differences on:

Deficit on revaluation of securities	(200,101)	(90,053)
Provision for contributory benevolent scheme	(32,020)	(46,604)
Provision for post retirement medical benefits	(367,092)	(399,420)
Provision for bad debts	(749,593)	(1,084,757)
	(1,348,806)	(1,620,834)
	3,988,155	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.

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

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

- Government	4,895,825	6,027,243
- Banks and financial institutions	5,336,650	11,312,597
- Others	7,122,491	4,755,380
Suppliers' credit / payee guarantee	2,128,779	2,421,640
	19,483,745	24,516,860

	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
13.2 Trade-related contingent liabilities	<u>52,953,846</u>	<u>47,577,037</u>
13.3 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>686,389</u>	<u>542,415</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.		
	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
13.5 Commitments in respect of forward foreign exchange contracts		
Purchase	<u>23,077,457</u>	<u>23,832,214</u>
Sale	<u>23,121,434</u>	<u>23,037,004</u>
13.6 Commitments for the acquisition of fixed assets	<u>228,625</u>	-
13.7 Other commitments		
Cross currency swaps (notional amount)	<u>191,408</u>	<u>249,690</u>
Interest rate swaps (notional amount)	<u>-</u>	<u>166,667</u>
FX Option	<u>177,394</u>	-
Forward outright sale of Government Securities	<u>656,930</u>	-

13.8 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.

	Nine months ended	
	September 30, 2010	September 30, 2009
	---- (Rupees in '000) ----	
14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	<u>12,496,587</u>	<u>11,805,116</u>
	<i>Number of shares</i>	
Weighted average number of shares outstanding during the period	<u>760,214,980</u>	<u>760,214,980</u>
	<i>Rupees</i>	
Basic and diluted Earnings per share - after tax	<u>16.44</u>	<u>15.53</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.

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Nine months ended September 30, 2010				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	------(Rupees in '000)-----				
Total income	81,965	12,196,764	18,308,401	14,244,870	44,832,000
Total expenses	(19,128)	(1,944,886)	(21,119,021)	(2,386,165)	(25,469,200)
Income tax expense	-	-	-	-	(6,866,213)
Net income	62,837	10,251,878	(2,810,620)	11,858,705	12,496,587
Segment assets - (Gross of NPLs Provisions)	-	241,056,365	105,819,637	207,713,232	554,589,234
Advance tax - net of provision	-	-	-	-	2,550,671
Total assets	-	241,056,365	105,819,637	207,713,232	557,139,905
Segment non performing loans	-	-	6,880,819	17,006,805	23,887,624
Segment specific provision required	-	-	5,085,540	12,569,550	17,655,090
Segment liabilities	-	214,607,702	75,300,863	170,275,426	460,183,991
Deferred tax liabilities - net	-	-	-	-	3,988,155
Total liabilities - net	-	214,607,702	75,300,863	170,275,426	464,172,146
Segment return on assets (ROA) (%)	-	5.67%	-3.72%	8.10%	3.10%
Segment cost of fund (%)	-	11.22%	3.93%	4.84%	4.09%
	Nine months ended September 30, 2009				
Total income	73,243	7,511,429	21,556,201	13,071,255	42,212,128
Total expenses	(15,628)	(1,829,318)	(20,219,396)	(2,494,790)	(24,559,132)
Income tax expense	-	-	-	-	(5,847,880)
Net income	57,615	5,682,111	1,336,805	10,576,465	11,805,116
Segment assets - (Gross of NPLs provision)	-	163,559,604	118,735,466	200,555,452	482,850,522
Total assets	-	163,559,604	118,735,466	200,555,452	482,850,522
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	-	143,781,819	87,406,399	164,727,794	395,916,012
Deferred tax assets	-	-	-	-	22,951
Provision for taxation	-	-	-	-	5,266,997
Total liabilities - net	-	143,781,819	87,406,399	164,727,794	401,205,960
Segment return on assets (ROA) (%)	-	4.63%	1.57%	7.36%	3.36%
Segment cost of fund (%)	-	2.01%	3.80%	4.54%	3.82%

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		
	Nine months ended September 30, 2010	Year ended Dec 31, 2009	Nine months ended September 30, 2010	Year ended Dec 31, 2009	Nine months ended September 30, 2010	Year ended Dec 31, 2009	Nine months ended September 30, 2010	Year ended Dec 31, 2009	
----- (Rupees in '000) -----									
Deposits									
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	38,398,655	20,156,909	83,277,956	137,233,548	673,603	598,908	132,939,076	219,380,319	
Deposits repaid during the period / year	(37,727,976)	(19,188,811)	(83,705,153)	(137,356,694)	(659,012)	(590,164)	(130,384,604)	(206,814,497)	
Deposits at the end of the period / year	<u>2,064,973</u>	<u>1,394,294</u>	<u>282,529</u>	<u>709,726</u>	<u>52,638</u>	<u>38,047</u>	<u>20,072,696</u>	<u>17,518,224</u>	
Advances (secured)									
Balance at beginning of the period / year	-	-	-	-	1,141	1,640	-	-	
Loan granted during the period / year	-	-	-	-	-	-	-	-	
Repayment during the period / year	-	-	-	-	(415)	(499)	-	-	
Balance at end of the period / year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>726</u>	<u>1,141</u>	<u>-</u>	<u>-</u>	
							September 30, 2010	December 31, 2009	
----- (Rupees in '000) -----									
Receivable from Pension Fund								11,391,297	9,322,304
	Directors		Associated companies		Subsidiary companies		Other Related Parties		
	September 30, 2010	September 30 / December 31, 2009	September 30, 2010	September 30 / December 31, 2009	September 30, 2010	September 30 / December 31, 2009	September 30, 2010	September 30 / December 31, 2009	
----- (Rupees in '000) -----									
Adamjee Insurance Company Limited									
Insurance premium paid	-	-	193,754	182,058	-	-	-	-	
Insurance claim settled	-	-	72,241	76,061	-	-	-	-	
Dividend income	-	-	85,171	78,917	-	-	-	-	
Rent income received	-	-	4,769	8,846	-	-	-	-	
Mayban International Trust (Labuan) Berhad									
Dividend paid	-	-	1,320,010	942,415	-	-	-	-	
Bonus shares issued	-	-	138,221	125,655	-	-	-	-	
Forward foreign exchange contracts (Notional)	-	-	410,516	3,408,431	-	-	-	-	
Unrealized gain / (loss) on forward foreign exchange contracts	-	-	698	(36,213)	-	-	-	-	
MNET Services (Private) Limited									
Outsourcing service expenses	-	-	-	-	54,830	47,965	-	-	
Networking service expenses	-	-	-	-	10,212	2,840	-	-	
Switch revenue	-	-	-	-	93	357	-	-	
Payment system managed service revenue (PSM)	-	-	-	-	20,041	21,512	-	-	
Payable for trade debts	-	-	-	-	25,887	35,501	-	-	
"MCB Leasing" Closed Joint Stock Company									
- Capital injection	-	-	-	-	84,138	394	-	-	
MCB Asset Management Company Limited									
- Markup paid	-	-	-	-	310	558	-	-	
- Markup payable	-	-	-	-	235	51	-	-	
- Others	-	-	-	-	2,298	1,001	-	-	
MCB Trade Services									
- Dividend received	-	-	-	-	9,929	11,315	-	-	
MCB Employees Foundation									
- Service expenses	-	-	-	-	-	-	13,232	12,462	
- Cash sorting expenses	-	-	-	-	-	-	19,855	14,840	
- Cash in transit expenses	-	-	-	-	-	-	220	780	
- Security guard expenses	-	-	-	-	-	-	122,100	-	
- Advance receivable	-	-	-	-	-	-	20,000	20,000	
Others									
- Remuneration of key management personnel	53,054	52,326	-	-	-	-	187,987	188,477	
- Miscellaneous expenses	-	-	-	-	-	-	124,666	99,882	
- Contribution to provident fund	-	-	-	-	-	-	118,567	111,177	

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 September 30, 2010 is as follows:

	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	530,173	315,766
Investments - net	1,486,813	1,671,364
Financing and receivables		
- Murabaha	858,553	1,466,368
- Ijara	431,402	771,734
- Islamic export refinance	912,779	1,239,498
Deferred tax assets	2,486	1,352
Other assets	4,024,324	2,725,991
	8,246,530	8,192,073
Liabilities		
Bills payable	52,713	15,779
Deposits and other accounts		
- Current accounts	288,065	231,793
- Saving accounts	3,140,438	1,450,493
- Term deposits	2,273,320	271,760
- Others	141	2,790
Borrowing from SBP	1,050,000	1,137,307
Due to head office	101,617	3,600,000
Deferred tax liability	-	-
Other liabilities	388,384	420,598
	7,294,678	7,130,520
Net assets	951,852	1,061,553
Represented by:		
Islamic Banking Fund	850,000	850,000
Unappropriated profit	106,467	214,064
	956,467	1,064,064
Deficit on revaluation of assets - net of tax	(4,615)	(2,511)
	951,852	1,061,553
Charity fund		
Opening balance	1,998	2,093
Additions during the period / year	1,287	1,405
Payments/ utilization during the period / year	-	(1,500)
Closing balance	3,285	1,998

The Profit and Loss Account of the Bank's Islamic Banking Branches for the nine months period ended September 30, 2010 is as follows:

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
	----- (Rupees in '000) -----	
Income / return / profit earned	753,616	799,493
Income / return / profit expended	550,369	526,066
Net Income / Profit	<u>203,247</u>	<u>273,427</u>
Provision against loans and advances - net	(58)	37,756
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>(58)</u>	<u>37,756</u>
Net profit / income after provisions	<u>203,305</u>	<u>235,671</u>
Other income		
Fees, commission and brokerage income	15,339	6,419
Dividend income	-	-
Income from dealing in foreign currencies	3,048	4,785
Other Income	37,477	41,936
Total other income	<u>55,864</u>	<u>53,140</u>
	<u>259,169</u>	<u>288,811</u>
Other expenses		
Administrative expenses	152,696	108,472
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	6	221
Total other expenses	<u>152,702</u>	<u>108,693</u>
Extra ordinary / unusual items	-	-
Profit before taxation	<u>106,467</u>	<u>180,118</u>
Remuneration to Shariah Advisor / Board	<u>956</u>	<u>936</u>

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 September 30, 2009	Nine months ended September 30, 2009	Reclassified	
	(Rupees in '000)		From	To
Commission on home remittance	26,327	79,720	Other income	Fee, commission and brokerage income

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 26, 2010 has announced cash dividend in respect of the nine months period ended September 30, 2010 of Rs.3.0 per share (September 30, 2009: Rs 2.50 per share). These unconsolidated condensed interim financial statements for the nine months period ended September 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 October 26, 2010.

President and Chief Executive

Director

Director

Director