



Our Vision

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

Our Mission

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

Our Values

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

Credit Rating
Long - Term AA+(double A plus)
Short-Term A1+(A one plus)
By PACRA



CORPORATE PROFILE

BOARD OF DIRECTORS:

Mian Mohammad Mansha	Chairman
S.M. Muneer	Vice Chairman
Tariq Rafi	Director
Shahzad Saleem	Director
Sarmad Amin	Director
Dr. Muhammad Yaqub	Director
Dato' Mohammed Hussein	Director
Dato' Seri Ismail Shahudin	Director
Mian Raza Mansha	Director
Mian Umer Mansha	Director
Aftab Ahmad Khan	Director
Manzar Mushtaq	Director
M.U.A. Usmani	President / CEO

AUDIT COMMITTEE:

Tariq Rafi	Chairman
Dr. Muhammad Yaqub	Member
Dato' Mohammed Hussein	Member
Dato' Seri Ismail Shahudin	Member
Aftab Ahmad Khan	Member

Chief Financial Officer:	Salman Zafar Siddiqi
Company Secretary:	Abdus S. Sami
Auditors:	A.F. Fergusons & Co. Chartered Accountants
Legal Advisors:	Khalid Anwer & Co. Advocates & Legal Consultants
Registered Office:	MCB Building F-6/G-6, Jinnah Avenue, Islamabad, Pakistan.
Principal Office:	MCB 15 Main Gulberg, Lahore, Pakistan
Registrar's and Share Registration Office:	M/s THK Associates (Pvt) Ltd. State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, Pakistan.



DIRECTORS' REPORT - JUNE 2011

I am pleased to place before you, on behalf of the Board of Directors, the half yearly financial statements of MCB Bank Limited for the period ended June 30, 2011.

Financial Highlights

Profit Before Taxation

Taxation

Profit After Taxation

Un-appropriated Profit Brought Forward

Transfer from Surplus on Revaluation of Fixed Assets (net of tax)

Profit Available for Appropriation

Appropriations:

Statutory Reserve

Final Cash Dividend – December 2010

Issue of Bonus Shares – December 2010

Interim Cash Dividend – March 2011

Total Appropriations

Un-appropriated Profit Carried Forward

	Rs. in Million
Profit Before Taxation	16,162
Taxation	(5,591)
Profit After Taxation	10,571
Un-appropriated Profit Brought Forward	21,415
Transfer from Surplus on Revaluation of Fixed Assets (net of tax)	18
	21,433
Profit Available for Appropriation	32,004
Statutory Reserve	1,057
Final Cash Dividend – December 2010	2,281
Issue of Bonus Shares – December 2010	760
Interim Cash Dividend – March 2011	2,509
Total Appropriations	6,607
Un-appropriated Profit Carried Forward	25,397

Performance Review

The Bank registered remarkable performance in the first half as profit before and after tax increased to Rs. 16.162 billion and Rs. 10.571 billion respectively, increasing by 32% and 33% over the corresponding period last year. Net Interest Income of the Bank increased by 26% over June 2010 with non markup income increasing by 39% to Rs. 4.153 billion. On the expenses side, gross administrative expenses (excluding the impact of pension fund reversal) increased with a controlled growth of 12% over June 2010, whereas provisions were reported at Rs. 2.439 billion.

The asset base of the Bank grew to Rs. 630 billion from Rs. 568 billion as at year end 2010. Advances (gross) of the Bank have also shown positive signs in the last three quarters and were reported at Rs. 281.8 billion as of June 30, 2011 with an increase of 3% over December 31, 2010. The classified portfolio of the Bank registered an increase of 4% over December 31, 2010 owing mainly to the effective risk management framework adopted by the Bank. The investment portfolio increased considerably by 22% over December 2010 with high concentration of 92% in the risk free government securities. Total deposits of MCB Bank registered a healthy growth of 15% over December, 2010, with 20% and 10% increase in current and saving deposits respectively, bringing the CASA percentage to 81%.

Earnings per share (EPS) for the half year was reported at Rs. 12.64 compared to Rs. 9.50 for the corresponding period last year. Return on assets improved to 3.53% (December 2010: 3.13%) whereas return on equity improved significantly to 29.32% (December 2010: 25.91%).

Ratings

PACRA maintained the long term credit rating of AA+ [double A plus] and short term credit rating of A1+ [A one plus] of the Bank, in its recent notification in July 2011 (2010: Long term: AA+ [double A plus] and Short term: A1+ [A one plus]).

Awards

MCB Bank Limited recently won prestigious awards; 'The Most Stable Bank' and the 'Best Bank in



Pakistan' by CFA Association of Pakistan (CFAAP) and 'Best Bank in Pakistan' by Euromoney Awards.

Economy Review

In the closing quarter, the pace of economic growth delivered insufficient results to opionate optimism. GDP growth remained lower compared to last year while revenue collection fell short of revised targets bringing the provisional deficit at 6.2% of GDP. During the period under review, the economy witnessed fall in financial and capital account inflows, power shortages, rising political instability and rising concerns over interdepartmental debt. These have been some of the main contributors to the slowdown in economic progress leading to incessant delay in the last disbursement by IMF and increased debt obligations. However, the containment of government borrowings from the central bank in the second and third quarter of FY11, against the preceding quarters, played its part in only slightly improving the inflation outlook to 12% for FY12, which too is subject to projected broad M2 growth and administered oil and power prices. Moreover, the increase in export prices and record rise in inflow of remittances facilitated the reserve accumulation and kept the current account in surplus. The banking sector also witnessed held back increase in advances with improved growth in credit compared to the previous quarter involving a lower but positive growth in the private sector credit as well.

Future Outlook

Pakistan is currently faced with the challenge of controlling inflationary pressures which have soared to high levels as compared to the past. The continuing increase in Net Foreign Assets (NFA) is giving rise to expansion of broad money in the country, with GDP growth at a much slower pace, negatively impacting the rate of inflation. The increase in private sector credit has caught pace and if encouraged, will be healthy for the economic development. The government's reliance on internal and external debt although has been restricted, the reliance on taxes revenue collection stances and policies are unlikely to meet the liquidity shortfalls and rigid expenditures, as the targets are continued to be missed.

In the banking sector, major banks continue to post healthy profits, while infection ratio has also slightly improved; however, the decline in core business expansion on the credit side is due to adverse macroeconomic factors coupled with risk averse lending strategies adopted by the banks.

The Bank's focus shall remain on expansion of its customer franchise, specifically in Islamic and SME segments. MCB's ability of capturing the market as a strong low cost liability franchise will remain a key competitive factor alongwith careful investments in areas with potentially promising returns. The Bank will also continue to closely monitor and control the non-performing portfolio and operating expenditure under the current inflationary pressures. The Bank will continue to resort its focus into further expansion through introduction of new products / services and increasing its international presence.

Acknowledgement

In the end the Board would like to greet and thank all shareholders and customers for their trust, our staff for their continuous hard work and dedication, and the Government and the State Bank of Pakistan for their patronage and support.

on behalf of Directors

Mian Mohammad Mansha
Chairman

July 26, 2011

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of MCB Bank Limited as at June 30, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2011. The condensed interim financial information incorporate the returns received from overseas branches which have not been reviewed by the auditors of these branches.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Other Matters

The financial statements of the bank for the year ended December 31, 2010 and half year ended June 30, 2010 were audited and reviewed respectively by another auditor whose reports, dated February 10, 2011 and August 5, 2010, expressed unqualified opinion / conclusion on those statements.

**A.F. Ferguson & Co
Chartered Accountants**

Name of engagement partner: Imran Farooq Mian

**Lahore.
July 26, 2011**

**Un-consolidated 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	84,799,468	79,204,209
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
	84,799,468	79,204,209

Contingencies and commitments

13

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


M.U.A. Usmani
President / CEO


Mian Umer Mansha
Director


Dato' Seri Ismail Shahudin
Director


Tariq Rafi
Director



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

For the six months period ended June 30, 2011

Note	Quarter ended June 30, 2011	Half year ended June 30, 2011	Quarter ended June 30, 2010	Half year ended June 30, 2010
	----- (Rupees in '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
	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
	8,325,645	16,162,018	5,960,971	12,212,121
Extra ordinary / unusual item	-	-	-	-
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	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.

 M.U.A. Usmani
 President / CEO
 Mian Umer Mansha
 Director
 Dato' Seri Ismail Shahudin
 Director
 Tariq Rafi
 Director



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
	----- (Rupees in '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	5,585,284	10,613,674	3,845,332	7,984,783
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	5,402,278	10,384,720	3,123,282	7,854,393

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

 M.U.A. Usmani
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 Director
 Tariq Rafi
 Director



Un-consolidated 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)
	15,810,015	11,986,863
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)
	3,076,460	2,618,636
	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)
	(11,713,208)	(7,386,824)
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
	56,601,222	19,901,872
	63,774,489	27,120,547
Income tax paid	(8,830,814)	(8,628,678)
	54,943,675	18,491,869
Net cash flows from operating activities		
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)
	(48,087,556)	(13,060,496)
Net cash flows from investing activities		
Cash flows from financing activities		
Dividend paid	(4,977,937)	(4,290,209)
	(4,977,937)	(4,290,209)
Exchange difference on translation of net investment in foreign branches	42,262	42,548
	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 the period	48,806,196	45,968,576

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


M.U.A. Usmani
President / CEO


Mian Umer Mansha
Director


Dato' Seri Ismail Shahudin
Director


Tariq Rafi
Director



Un-consolidated 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		Revenue Reserves			Total
			Share premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit	
(Rupees in '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)
	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)
	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)
	8,362,365	-	9,702,528	388,241	12,571,540	18,600,000	25,397,551	75,022,225


M.U.A. Usmani
President / CEO


Mian Umer Mansha
Director


Dato' Seri Ismail Shahudin
Director


Tariq Rafi
Director

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 Depository Receipts (GDRs) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg Lahore respectively. The Bank operates 1,134 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.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

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
	8,849,288	4,401,781

8 INVESTMENTS - NET

8.1 Investments by types

		June 30, 2011		
Note	Held by bank	Given as collateral	Total	
	----- (Rupees in '000) -----			
Held-for-trading securities	-	-	-	
Available-for-sale securities	246,699,459	1,892,649	248,592,108	
Held-to-maturity securities	12,519,369	-	12,519,369	
	259,218,828	1,892,649	261,111,477	
Associates	1,059,421	-	1,059,421	
Subsidiaries	482,208	-	482,208	
	1,541,629	-	1,541,629	
Investments at cost	260,760,457	1,892,649	262,653,106	
Less: Provision for diminution in the value of investments	(2,801,827)	-	(2,801,827)	
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	
	-	-	-	
Investments at revalued amounts - net of provisions	258,313,087	1,891,374	260,204,461	

December 31, 2010

		December 31, 2010		
Note	Held by bank	Given as collateral	Total	
	----- (Rupees in '000) -----			
Held-for-trading securities	-	-	-	
Available-for-sale securities	190,043,994	11,840,440	201,884,434	
Held-to-maturity securities	12,302,080	-	12,302,080	
	202,346,074	11,840,440	214,186,514	
Associates	1,006,900	-	1,006,900	
Subsidiaries	462,065	-	462,065	
	1,468,965	-	1,468,965	
Investments at cost	203,815,039	11,840,440	215,655,479	
Less: Provision for diminution in the value of investments	(3,116,292)	-	(3,116,292)	
Investments (net of provisions)	200,698,747	11,840,440	212,539,187	
Surplus / (deficit) on revaluation of available for sale securities - net	534,095	(12,400)	521,695	
	-	-	-	
Investments at revalued amounts - net of provisions	201,232,842	11,828,040	213,060,882	

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

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, 2011 December 31, 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

Less: Provision against loans and advances

- Specific provision	(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>
	<u>259,973,856</u>	<u>254,551,589</u>

Advances - net of provision

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:

Category of Classification	Note	June 30, 2011			Specific Provision Required	Specific Provision Held
		Classified Advances				
		Domestic	Overseas	Total		
----- Rupees in '000 -----						
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>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

Category of Classification	December 31, 2010			Specific Provision Required	Specific Provision Held
	Classified Advances				
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Other Assets Especially Mentioned (OAEM)	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
	<u>12,497,508</u>	<u>12,045,782</u>

Borrowings from other financial institutions	559,152	618,163
Repurchase agreement borrowings	2,014,036	12,027,499
	<u>2,573,188</u>	<u>12,645,662</u>

Unsecured

Overdrawn nostro accounts	449,424	543,289
Call borrowings	2,003,129	449,860
	<u>2,452,553</u>	<u>993,149</u>
	<u>17,523,249</u>	<u>25,684,593</u>

11 DEPOSITS AND OTHER ACCOUNTS

Customers

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

Financial institutions

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

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

June 30, 2011 December 31, 2010
(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	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	-
	<u>6,543,785</u>	<u>6,151,527</u>

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)
	<u>(996,754)</u>	<u>(1,217,509)</u>
	<u>5,547,031</u>	<u>4,934,018</u>

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, 2011 December 31, 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	<u>2,513,688</u>	<u>2,326,818</u>

19,461,505 16,110,353

13.2 Trade-related contingent liabilities

77,177,148 76,856,249

13.3 Other contingencies

Claims against the Bank not acknowledged as debts	880,166	674,032
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Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

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	28,240,050	20,154,200
Sale	<u>30,819,082</u>	<u>22,245,693</u>

13.6 Commitments for the acquisition of fixed assets

369,192 51,944

13.7 Other commitments

Cross currency swaps (notional amount)	<u>104,845</u>	<u>153,126</u>
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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>
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Number of shares

Weighted average number of shares outstanding during the period	<u>836,236,476</u>	<u>836,236,476</u>
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Rupees

Basic and diluted Earnings per share - after tax	<u>12.64</u>	<u>9.50</u>
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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.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Six months ended June 30, 2011					
Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total	
(Rupees in '000)					
Total income	46,472	16,259,859	7,022,264	13,666,411	36,995,006
Total expenses	(15,614)	(2,658,450)	(15,421,228)	(2,737,696)	(20,832,988)
Income tax expense	-	-	-	-	(5,590,606)
Net income	30,858	13,601,409	(8,398,964)	10,928,715	10,571,412
Segment assets - (Gross of NPLs Provisions)	-	291,062,900	120,434,551	233,601,555	645,099,006
Advance tax - net of provision	-	-	-	-	6,326,444
Total assets	-	291,062,900	120,434,551	233,601,555	651,425,450
Segment non performing loans	-	-	7,550,087	17,871,938	25,422,025
Segment specific provision required	-	-	6,311,610	14,940,316	21,251,926
Segment liabilities	-	11,095,155	499,681,160	29,050,710	539,827,025
Deferred tax liabilities - net	-	-	-	-	5,547,031
Total liabilities - net	-	11,095,155	499,681,160	29,050,710	545,374,056
Segment return on assets (ROA) (%)	-	11.17%	12.31%	12.50%	-
Segment cost of fund (%)	-	12.02%	4.03%	5.96%	-

Six months ended June 30, 2010					
Total income	63,736	9,693,045	6,966,797	12,663,383	29,386,961
Total expenses	(14,534)	(1,121,355)	(14,663,607)	(1,375,344)	(17,174,840)
Income tax expense	-	-	-	-	(4,269,886)
Net income	49,202	8,571,690	(7,696,810)	11,288,039	7,942,235
Segment assets - (Gross of NPLs provision)	-	208,549,189	119,230,124	218,182,762	545,962,075
Advance tax - net of provision	-	-	-	-	3,765,589
Total assets	-	208,549,189	119,230,124	218,182,762	549,727,664
Segment non performing loans	-	-	7,198,234	16,935,403	24,133,637
Segment specific provision required	-	-	5,257,146	12,368,574	17,625,720
Segment liabilities	-	6,829,664	422,934,124	25,357,999	455,121,787
Provision for taxation	-	-	-	-	3,705,176
Total liabilities - net	-	6,829,664	422,934,124	25,357,999	458,826,963
Segment return on assets (ROA) (%)	-	9.30%	12.23%	12.31%	-
Segment cost of fund (%)	-	11.41%	3.88%	4.89%	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

17 RELATED PARTY TRANSACTIONS

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

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

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	Six months ended June 30, 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	1,874,317	2,095,056	579,976	955,014	50,341	77,043	24,739,843	24,762,137
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	-	-	-	-	351,868	112,548	-	-

Receivable from Pension Fund

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	June 30, 2011	June 30/ December 31, 2010	June 30, 2011	June 30/ December 31, 2010	June 30, 2011	June 30/ December 31, 2010	June 30, 2011	June 30/ 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	-	-	-	-	-
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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	-	-
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MCB Financial Services Limited

Dividend received	-	-	-	-	2,750	-	-	-
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MCB Trade Services Limited

Dividend received	-	-	-	-	4,664	9,929	-	-
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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	-	-	-	-	-	-	88,430	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.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

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
	1,117,700	967,682
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

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

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	232,372	183,464
Provision against loans and advances - net	10,000	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	10,000	-
Net profit / income after provisions	222,372	183,464
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	36,600	21,112
	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	144,216	77,754
Extra ordinary / unusual items	-	-
Profit before taxation	114,756	126,822

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.


M.U.A. Usmani
President / CEO


Mian Umer Mansha
Director


Dato' Seri Ismail Shahudin
Director


Tariq Rafi
Director



MCB BANK LIMITED

(Consolidated Financial Statements of MCB Bank Limited and its Subsidiary Companies)



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

As at June 30, 2011

	Unaudited June 30, 2011	Audited December 31, 2010
Assets		
Cash and balances with treasury banks	47,228,326	45,407,264
Balances with other banks	1,684,930	1,551,518
Lendings to financial institutions	7 8,849,288	4,401,781
Investments - net	8 263,246,527	215,747,844
Advances - net	9 259,978,538	254,565,471
Operating fixed assets	21,568,309	21,061,787
Deferred tax assets - net	-	-
Other assets - net	31,256,553	27,746,198
	633,812,471	570,481,863
Liabilities		
Bills payable	7,847,531	10,265,537
Borrowings	10 17,523,249	25,684,593
Deposits and other accounts	11 496,159,168	431,295,499
Sub-ordinated loan	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	12 5,704,194	5,146,733
Other liabilities	18,322,931	16,090,374
	545,557,073	488,482,736
Net assets	88,255,398	81,999,127
Represented by:		
Share capital	8,362,365	7,602,150
Reserves	41,264,572	40,164,526
Un-appropriated profit	27,576,892	23,458,429
	77,203,829	71,225,105
Minority interest	526,232	2,698
	77,730,061	71,227,803
Surplus on revaluation of assets - net of tax	10,525,337	10,771,324
	88,255,398	81,999,127

Contingencies and commitments

13

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


 M.U.A. Usmani
 President / CEO


 Mian Umer Mansha
 Director


 Dato' Seri Ismail Shahudin
 Director


 Tariq Rafi
 Director



Consolidated 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
Mark-up / return / interest earned				
Mark-up / return / interest earned	16,894,120	32,864,042	13,296,972	26,399,570
Mark-up / return / interest expensed	5,579,466	10,616,424	4,321,713	8,698,202
Net mark-up / interest income	11,314,654	22,247,618	8,975,259	17,701,368
Provision against loans and advances - net				
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
	1,241,902	2,438,777	1,047,707	2,049,979
Net mark-up / interest income after provisions	10,072,752	19,808,841	7,927,552	15,651,389
Non mark-up / interest income				
Fee, commission and brokerage income	1,262,758	2,445,725	1,064,546	2,074,887
Income from trustee ship	5,032	10,557	6,030	11,386
Dividend income	76,701	225,743	54,879	167,878
Income from dealing in foreign currencies	274,342	489,232	158,413	275,712
Gain on sale of securities - net	313,018	569,773	137,624	155,598
Unrealized gain/ (loss) on revaluation of investments classified as held for trading	337	33,282	(537)	19,139
Other income	228,312	432,118	182,537	366,574
Total non mark-up / interest income	2,160,500	4,206,430	1,603,492	3,071,174
	12,233,252	24,015,271	9,531,044	18,722,563
Non-mark-up / interest expenses				
Administrative expenses	3,603,169	7,325,761	3,330,235	6,013,007
Other provisions / (reversals)	5,928	(7,835)	4,271	4,308
Other charges	385,042	628,447	285,305	505,844
Total non mark-up/interest expenses	3,994,139	7,946,373	3,619,811	6,523,159
Share of profit of associated undertakings	75,550	215,012	75,516	174,394
	8,314,663	16,283,910	5,986,749	12,373,798
Extra ordinary / unusual item	-	-	-	-
Profit before taxation	8,314,663	16,283,910	5,986,749	12,373,798
Taxation - current period	2,335,372	5,052,134	1,792,472	3,778,129
- prior years	-	-	-	-
- deferred	445,101	562,084	378,764	512,981
Share of tax of associated undertakings	16,845	39,814	20,236	45,777
	2,797,318	5,654,032	2,191,472	4,336,887
Profit after taxation	5,517,345	10,629,878	3,795,277	8,036,911
Minority interest	1	358	992	990
Profit attributable to ordinary shareholders	5,517,346	10,630,236	3,796,269	8,037,901
Earnings per share - basic and diluted - Rupees	14 6.60	12.71	4.54	9.61

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


 M.U.A. Usmani
 President / CEO


 Mian Umer Mansha
 Director


 Dato' Seri Ismail Shahudin
 Director


 Tariq Rafi
 Director



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
----- (Rupees in '000) -----				
Profit after tax for the period	5,517,345	10,629,878	3,795,277	8,036,911
Other comprehensive income				
Effect of translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the bank	38,186	42,905	43,190	41,453
- Minority interest	38	46	-	-
Effect of translation of net investment in foreign branches and subsidiaries	38,224	42,951	43,190	41,453
Comprehensive income transferred to equity	5,555,569	10,672,829	3,838,467	8,078,364
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	(153,464)	(119,318)	(813,801)	(125,026)
Deferred tax	14,292	(65,802)	91,751	(5,364)
	(139,172)	(185,120)	(722,050)	(130,390)
Total comprehensive income for the period	5,416,397	10,487,709	3,116,417	7,947,974

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

M.U.A. Usmani
President / CEO

Mian Umer Mansha
Director

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Director

Tariq Rafi
Director



Consolidated 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	16,283,910	12,373,798
Less: Dividend income and share of profit of associated undertakings	(440,755)	(342,272)
	15,843,155	12,031,526
Adjustments for non-cash charges		
Depreciation	538,937	495,179
Amortization	116,431	72,543
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)
Unrealized gain on revaluation of investments classified as held for trading	(33,282)	(19,139)
	3,043,178	2,602,350
	18,886,333	14,633,876
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,447,507)	(13,530,103)
Net investment in held for trading securities	11,399	(16,532)
Advances - net	(7,655,186)	6,265,482
Other assets - net	(67,462)	(151,308)
	(12,158,756)	(7,432,461)
Increase / (decrease) in operating liabilities		
Bills payable	(2,418,006)	(2,830,853)
Borrowings	(8,161,344)	(31,283,423)
Deposits and other accounts	64,863,669	51,633,546
Other liabilities	2,474,472	2,391,206
	56,758,791	19,910,476
	63,486,368	27,111,891
	(8,374,566)	(8,642,610)
Income tax paid		
Net cash flows from operating activities	55,111,802	18,469,281
Cash flows from investing activities		
Net investments in available-for-sale securities	(47,218,797)	(12,920,079)
Net investments in held-to-maturity securities	(217,289)	374,360
Investment in associated undertaking	(52,521)	-
Net cash inflow on merger of subsidiary	41,624	-
Dividend income received	261,501	229,475
Proceeds from issue of shares to minority interest	-	4,450
Investment in operating fixed assets - net of disposals	(1,036,880)	(685,548)
Net cash flows from investing activities	(48,222,362)	(12,997,342)
Cash flows from financing activities		
Dividend paid	(4,977,917)	(4,290,209)
Net cash flows from financing activities	(4,977,917)	(4,290,209)
Exchange difference on translation of net investment in foreign branches and subsidiaries	42,951	41,453
Increase in cash and cash equivalents	1,954,474	1,223,183
Cash and cash equivalents at beginning of the period	46,958,782	44,852,225
Cash and cash equivalents at end of the period	48,913,256	46,075,408

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

M.U.A. Usmani
President / CEO

Mian Umer Mansha
Director

Dato' Seri Ismail Shahudin
Director

Tariq Rafi
Director



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

	Share capital	Capital Reserves			Revenue Reserves			Total	Minority interest	Total
		Reserve for issue of bonus shares	Share premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit			
(Rupees in '000)										
Balance as at January 01, 2010	6,911,045	-	9,702,528	258,047	9,827,081	18,600,000	17,821,670	63,120,371	71	63,120,442
Change in equity for six months ended June 30, 2010										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	10,924	10,924	-	10,924
Profit after taxation for six months period ended June 30, 2010	-	-	-	-	-	-	8,036,911	8,036,911	-	8,036,911
Loss attributable to minority interest	-	-	-	-	-	-	990	990	(990)	-
Profit after taxation for six months period ended June 30, 2010 attributable to ordinary share holders of the bank	-	-	-	-	-	-	8,037,901	8,037,901	(990)	8,036,911
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	41,453	-	-	-	41,453	-	41,453
Total comprehensive income for the period ended June 30, 2010	-	-	-	41,453	-	-	8,037,901	8,079,354	(990)	8,078,364
Share of capital attributable to minority interest	-	-	-	-	-	-	-	-	4,450	4,450
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)	-	(2,418,866)
Interim cash dividend - March 31, 2010	-	-	-	-	-	-	(1,900,560)	(1,900,560)	-	(1,900,560)
Balance as at June 30, 2010	7,602,150	-	9,702,528	299,500	10,621,305	18,600,000	20,065,740	66,891,223	3,531	66,894,754
Change in equity for six months ended December 31, 2010										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	10,955	10,955	-	10,955
Profit after taxation for six months period ended December 31, 2010	-	-	-	-	-	-	8,835,215	8,835,215	-	8,835,215
Loss attributable to minority interest	-	-	-	-	-	-	903	903	(903)	-
Profit after taxation for six months period ended December 31, 2010 attributable to ordinary share holders of the bank	-	-	-	-	-	-	8,836,118	8,836,118	(903)	8,835,215
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	48,099	-	-	-	48,099	70	48,169
Total comprehensive income for the period ended December 31, 2010	-	-	-	48,099	-	-	8,836,118	8,884,217	(833)	8,883,384
Transferred to statutory reserve	-	-	-	-	893,094	-	(893,094)	-	-	-
Interim cash dividend - June 30, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
Interim cash dividend - September 30, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
Balance as at December 31, 2010	7,602,150	-	9,702,528	347,599	11,514,399	18,600,000	23,458,429	71,225,105	2,698	71,227,803
Change in equity for six months ended June 30, 2011										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	18,018	18,018	-	18,018
Profit after taxation for six months period ended June 30, 2011	-	-	-	-	-	-	10,629,878	10,629,878	-	10,629,878
Loss attributable to minority interest	-	-	-	-	-	-	358	358	(358)	-
Profit after taxation for six months period ended June 30, 2011 attributable to ordinary share holders of the bank	-	-	-	-	-	-	10,630,236	10,630,236	(358)	10,629,878
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	42,905	-	-	-	42,905	46	42,951
Total comprehensive income for the period ended June 30, 2011	-	-	-	42,905	-	-	10,630,236	10,673,141	(312)	10,672,829
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)	-	-	-	-	-	-	-	-
Effect of change in ownership interest in subsidiary without loss of control	-	-	-	-	-	-	76,919	76,919	485,395	562,314
Minority share on revaluation of assets of subsidiary	-	-	-	-	-	-	-	-	38,471	38,471
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(20)	(20)
Final cash dividend - December 31, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
Interim cash dividend - March 31, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
Balance as at June 30, 2011	8,362,365	-	9,702,528	390,504	12,571,540	18,600,000	27,576,892	77,203,829	526,232	77,730,061

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

M.U.A. Usmani
President / CEO

Mian Umer Mansha
Director

Dato' Seri Ismail Shahudin
Director

Tariq Rafi
Director



Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company
- MCB Bank Limited

Subsidiary Companies

- MCB Financial Services Limited
- MNET Services (Private) Limited
- MCB Trade Services Limited
- Arif Habib Investments Limited
- (Formerly MCB Asset Management Company Limited)
- "MCB Leasing" Closed Joint Stock Company

"Percentage holding of MCB Bank Limited"

99.99%
99.95%
100%
51.33%
95.00%

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg Lahore respectively. The Bank operates 1,134 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 consolidated 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 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.

2.3 The consolidated condensed financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.

a) 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 June 30, 2011 and the carrying value of investments held by the Group is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.

b) 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 June 30, 2011.

c) 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.

2.4 The scheme of amalgamation of MCB Asset Management Company Limited with and into Arif Habib Investments Limited was sanctioned by Securities and Exchange Commission of Pakistan (SECP) through its order dated June 10, 2011 with effect from June 27, 2011. Subsequently SECP through its order dated June 27, 2011 extended the effective date of merger from June 27, 2011 to July 30, 2011 and this order has been passed on June 27, 2011. However, the Honourable Sind High Court through its order dated July 02, 2011 suspended the SECP order for extension of the effective date of merger. The consolidated financial statements of the Group have been prepared based on unaudited financial statements of Arif Habib Investments Limited as at June 30, 2011.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

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

3.3 The 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 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 consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Group for the year ended December 31, 2010.

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 Bank'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, 2010.

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, 2010.

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, 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>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

Note	June 30, 2011		
	Held by bank	Given as collateral	Total
	(Rupees in '000)		
8 INVESTMENTS - NET			
8.1 Investments by types			
Held-for-trading securities	377,963	-	377,963
Available-for-sale securities	246,911,302	1,892,649	248,803,951
Held-to-maturity securities	12,519,369	-	12,519,369
	<u>259,808,634</u>	<u>1,892,649</u>	<u>261,701,283</u>
Adamjee Insurance Company Limited	3,792,967	-	3,792,967
Euronet Pakistan (Private) Limited	55,145	-	55,145
First Women Bank Limited	63,300	-	63,300
	<u>3,911,412</u>	<u>-</u>	<u>3,911,412</u>
Investments at cost	263,720,046	1,892,649	265,612,695
Less: Provision for diminution in the value of investments	(2,801,827)	-	(2,801,827)
Investments (net of provisions)	260,918,219	1,892,649	262,810,868
Surplus / (deficit) on revaluation of available for sale securities - net	403,652	(1,275)	402,377
Surplus on revaluation of held-for-trading securities - net	33,282	-	33,282
Investments at revalued amounts - net of provisions	<u>261,355,153</u>	<u>1,891,374</u>	<u>263,246,527</u>
	December 31, 2010		
	Held by bank	Given as collateral	Total
	(Rupees in '000)		
Held-for-trading securities	348,530	-	348,530
Available-for-sale securities	190,043,994	11,840,440	201,884,434
Held-to-maturity securities	12,302,080	-	12,302,080
	<u>202,694,604</u>	<u>11,840,440</u>	<u>214,535,044</u>
Adamjee Insurance Company Limited	3,703,265	-	3,703,265
First Women Bank Limited	63,300	-	63,300
	<u>3,766,565</u>	<u>-</u>	<u>3,766,565</u>
investments at cost	206,461,169	11,840,440	218,301,609
Less: Provision for diminution in the value of investments	(3,116,292)	-	(3,116,292)
Investments (net of provisions)	203,344,877	11,840,440	215,185,317
Surplus / (deficit) on revaluation of available for sale securities - net	534,095	(12,400)	521,695
Surplus on revaluation of held-for-trading securities - net	40,832	-	40,832
Investments at revalued amounts - net of provisions	<u>203,919,804</u>	<u>11,828,040</u>	<u>215,747,844</u>

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

For the six months period ended June 30, 2011

- 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 Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2011 amounted to Rs. 2,341.830 million (December 31, 2010: Rs. 3,152.948 million).

Investment in Adamjee Insurance Company Limited under equity method - holding 29.13%

	June 30, 2011	December 31, 2010
	(Rupees in '000)	
Opening Balance	3,703,265	3,339,710
Share of profit for the period / year before tax	212,325	269,513
Dividend from associate	(54,051)	(85,171)
Share of tax	(39,751)	(29,333)
	118,523	155,009
Share of unrealized surplus on assets -net of tax	(28,821)	208,546
Closing Balance	3,792,967	3,703,265

- 8.4** The Group's investment in First Women Bank Limited is carried at cost and have not been accounted for under equity method of accounting as the Group does not have significant influence over the entity.

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

Investment in Euronet Pakistan Private Limited under equity method - holding 30%

	June 30, 2011
	(Rupees in '000)
Investment made during the year	52,521
Share of profit for the period before tax	2,687
Share of tax	(63)
	2,624
Closing Balance	55,145

9 ADVANCES - NET

	June 30, 2011	December 31, 2010
	(Rupees in '000)	
Loans, cash credits, running finances, etc		
- In Pakistan	257,503,999	250,283,213
- Outside Pakistan	11,280,070	9,104,266
	268,784,069	259,387,479
Net Investment in finance lease		
- In Pakistan	1,599,743	2,333,037
- Outside Pakistan	470,913	212,860
	2,070,656	2,545,897
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
	10,941,423	12,224,430
Advances - gross	281,796,148	274,157,806
Less: Provision against loans and advances		
- Specific provision	(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)
	(21,817,610)	(19,592,335)
Advances - net of provision	259,978,538	254,565,471

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

For the six months period ended June 30, 2011

- 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	Specific Provision Held
		Classified Advances				
Category of Classification	Note	Domestic	Overseas	Total		
(Rupees in '000)						
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
		21,342,045	4,079,980	25,422,025	21,251,926	21,251,926
		December 31, 2010			Specific Provision Required	Specific Provision Held
		Classified Advances				
Category of Classification		Domestic	Overseas	Total		
(Rupees in '000)						
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
		20,424,064	4,119,743	24,543,807	18,930,571	18,930,571

- 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.

10 BORROWINGS

	June 30, 2011	December 31, 2010
	(Rupees in '000)	
In Pakistan	14,428,000	24,324,510
Outside Pakistan	3,095,249	1,360,083
	17,523,249	25,684,593

10.1 Details of borrowings (secured / unsecured)

		June 30, 2011	December 31, 2010
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			
Repurchase agreement borrowings		559,152	618,163
		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
		17,523,249	25,684,593



Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

	June 30, 2011	December 31, 2010
(Rupees in '000)		
11 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	90,555,004	80,049,848
Savings deposits	216,790,761	195,987,483
Current accounts	176,416,417	144,520,780
Margin accounts	3,187,284	3,482,526
Financial institutions	486,949,466	424,040,637
Remunerative deposits	7,453,957	4,128,090
Non-remunerative deposits	1,755,745	3,126,772
	9,209,702	7,254,862
	496,159,168	431,295,499

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	814,429	808,054
Accelerated tax depreciation	804,156	853,349
Receivable from pension fund	4,842,458	4,389,896
Net investment in finance lease	59,698	119,372
Investments in associated undertaking	214,184	202,332
Surplus on revaluation of securities	50,222	-
Others	-	1,828
	6,785,147	6,374,831

Deductible temporary differences on:

Deficit on revaluation of securities	-	(15,580)
Provision for gratuity	(1,083)	(1,083)
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)
Taxable losses	(77,725)	(9,506)
Others	(5,391)	-
	(1,080,953)	(1,228,098)
	5,704,194	5,146,733

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.

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments
Guarantees in favour of:

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



Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

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

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	10,630,236	8,037,901
	Number of shares	
Weighted average number of shares outstanding during the period	836,236,476	836,236,476
	Rupees	
Basic and diluted Earnings per share - after tax	12.71	9.61

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.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Six months ended June 30, 2011						Total
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination	
	(Rupees in '000)						
Total income	58,863	16,237,351	7,084,276	13,787,096	144,974	(27,076)	37,285,484
Total expenses	(25,687)	(2,666,449)	(15,445,707)	(2,785,335)	(105,472)	27,076	(21,001,574)
Income tax expense	-	-	-	-	-	-	(5,654,032)
Net income	33,176	13,570,902	(8,361,431)	11,001,761	39,502	-	10,629,878
Segment assets - (Gross of NPLs Provisions)	44,980	292,807,241	121,148,250	234,969,791	1,181,285	(947,481)	649,204,066
Advance tax - net of provision	-	-	-	-	-	-	5,860,331
Total assets	44,980	292,807,241	121,148,250	234,969,791	1,181,285	(947,481)	655,064,397
Segment non performing loans	-	-	7,550,087	17,871,938	-	-	25,422,025
Segment specific provision required	-	-	6,311,610	14,940,316	-	-	21,251,926
Segment liabilities	7,561	11,511,676	499,848,835	29,372,034	60,254	(947,481)	539,852,879
Deferred tax liabilities - net	-	-	-	-	-	-	5,704,194
Total liabilities - net	7,561	11,511,676	499,848,835	29,372,034	60,254	(947,481)	545,557,073
Segment return on assets (ROA) (%)	-	11.09%	12.34%	12.53%	24.55%	-	-
Segment cost of fund (%)	-	12.02%	4.03%	5.96%	-	-	-
	Six months ended June 30, 2010						
Total income	76,415	9,729,414	7,032,676	12,745,701	121,035	(60,103)	29,645,138
Total expenses	(23,409)	(1,127,192)	(14,700,931)	(1,408,771)	(71,140)	60,103	(17,271,340)
Income tax expense	-	-	-	-	-	-	(4,336,887)
Net income	53,006	8,602,222	(7,668,255)	11,336,930	49,895	-	8,036,911
Segment assets - (Gross of NPLs provision)	32,513	209,556,109	119,844,533	219,222,998	494,836	(612,365)	548,538,624
Advance tax - net of provision	-	-	-	-	-	-	3,768,211
Total assets	32,513	209,556,109	119,844,533	219,222,998	494,836	(612,365)	552,306,835
Segment non performing loans	-	-	7,198,234	16,935,403	-	-	24,133,637
Segment specific provision required	-	-	5,257,146	12,368,574	-	-	17,625,720
Segment liabilities	16,680	7,052,662	423,042,347	25,538,178	32,760	(612,365)	455,070,262
Provision for taxation	-	-	-	-	-	-	3,720,070
Total liabilities - net	16,680	7,052,662	423,042,347	25,538,178	32,760	(612,365)	458,790,332
Segment return on assets (ROA) (%)	-	9.29%	12.27%	12.32%	48.92%	-	-
Segment cost of fund (%)	-	11.41%	3.88%	4.89%	-	-	-

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

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 at arm's length basis under the comparable uncontrolled price and 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		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
	(Rupees in '000)					
Deposits						
Deposits at beginning of the period / year	2,095,056	1,394,294	955,014	789,205	24,762,137	18,231,801
Deposits received during the period / year	17,744,725	51,883,458	68,783,548	108,743,238	97,921,300	224,429,580
Deposits repaid during the period / year	(17,965,464)	(51,182,696)	(69,158,586)	(108,577,429)	(97,943,594)	(217,899,244)
Deposits at the end of the period / year	1,874,317	2,095,056	579,976	955,014	24,739,843	24,762,137
Receivable from Pension Fund					June 30, 2011	December 31, 2010
					13,835,593	12,542,560
	(Rupees in '000)					
	Directors		Associated companies		Other Related Parties	
	June 30, 2011	June 30 / December 31, 2010	June 30, 2011	June 30 / December 31, 2010	June 30, 2011	June 30 / 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
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	-	-	-	-	88,430	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.



Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

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



Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2011

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	232,372	183,464
Provision against loans and advances - net	10,000	-
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	10,000	-
Net profit / income after provisions	222,372	183,464
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	36,600	21,112
	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	144,216	77,754
Extra ordinary / unusual items	-	-
Profit before taxation	114,756	126,822

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 consolidated 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 consolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on July 26, 2011.

M.U.A. Usmani
President / CEO

Mian Umer Mansha
Director

Dato' Seri Ismail Shahudin
Director

Tariq Rafi
Director