

18 x 24 cm

Third Quarterly Report, 2010

Overcoming Challenges



Principal Office
MCB 15-Main Gulberg, Lahore
UAN: (042) 111-000-111
PABX: (042) 6041998-9

www.mcb.com.pk





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

Shahzad Saleem

Sarmad Amin

Dr. Muhammad Yaqub

Mian Raza Mansha

Mian Umer Mansha

Dato' Mohammed Hussein

Abdul Farid Bin Alias

Aftab Ahmad Khan

Muhammad Ali Zeb

M.U.A. Usmani

President & Chief Executive Officer

Audit Committee

Tariq Rafi - Chairman

Dr. Muhammad Yaqub - Member

Dato' Mohammed Hussein - Member

Aftab Ahmad Khan - Member

Muhammad Ali Zeb - Member

Malik Abdul Waheed - Advisor to Chairman

Chief Financial Officer

Salman Zafar Siddiqi

Company Secretary

Abdus S. Sami

Auditors

KPMG Taseer Hadi & Co.

Chartered Accountants

Legal Advisors

Khalid Anwer & Co.

Advocates & Legal Consultants

Registered Office

MCB Building F-6/G-6,

Jinnah Avenue, Islamabad.

Principal Office

MCB 15 Main Gulberg, Lahore.

Registrar's And Share Registration Office

M/s THK Associates (Pvt) Ltd.

State Life Building No. 3,

Dr. Ziauddin Ahmed Road,

Karachi

DIRECTORS' REPORT - SEPTEMBER 2010

On behalf of the Board of Directors, I am pleased to present the condensed interim unconsolidated financial statements for the nine months period ended September 30, 2010.

Financial Highlights

	Rs. in Million
Profit before taxation	19,363
Taxation	(6,866)
Profit after taxation	12,497
Un-appropriated profit brought forward	15,779
Transfer from surplus on revaluation of fixed assets (net of tax)	16
	15,795
Profit available for appropriation	28,292
Appropriations:	
Statutory reserve	1,250
Final cash dividend – December 2009	2,419
Issue of bonus shares – December 2009	691
Interim cash dividend - March 2010	1,901
Interim cash dividend - June 2010	2,281
Total appropriations	8,541
Un-appropriated profit carried forward	19,751

Performance Review

During the nine months ended September 30, 2010, the Bank delivered profit before tax of Rs. 19.4 billion as against Rs. 17.6 billion for the similar period last year registering a growth of 10%. Profit after tax was reported at Rs. 12.5 billion translating into an EPS of Rs. 16.44 against Rs. 15.53 for September 2009.

Total deposits presented a robust increase of 15% reaching Rs. 422.3 billion from Rs. 367.6 billion at December 2009; with low cost CASA rising by 13% from December 2009, representing 81% of the total deposits. The strong increase in deposits base geared MCB's domestic market share to 8.9% from only 8.3% at December 2009.

The total asset base of the bank grew by Rs. 30 billion over December 2009. Major contribution to the said increase was investments that registered a huge increase of 24% and were reported at Rs. 208 billion. Gross advances on the other hand decreased by 8% over December 2009, mainly owing to the overall shortfall in domestic credit. The equity base of the Bank was reported at Rs. 67 billion depicting an increase of 10% over December 2009. Return on Equity (ROE) & Return on Assets (ROA) were recorded at 26% & 3.2% respectively.

Markup income increased by 5% as compared to corresponding period last year and was reported at Rs. 40 billion, resulting in a 1% increase in net-interest income. Non-interest income was reported with an increase of 17%, with major contributions coming from new products / strategies launched.

The controlled increase in non-performing loans, resulted in a substantial decrease of 55% in provision charge against advances. While provision against investments also decreased by 85% over corresponding period last year.

Ratings/Awards

PACRA through its notification in June 2010, has maintained long term credit rating of AA+ [double A plus] and short-term credit rating of A1+ [A one plus] of the Bank (2009: AA+ [Double A plus] for long term and A1+ [A one plus] for short term rating).

The Bank has also been awarded “The Most Stable Bank” award by CFA Association of Pakistan (CFAAP) and MMT award for “Best Bank Led Mobile Money Transfer Programme.”

Review of Economic Conditions

The recent historic floods in Pakistan have had huge bearing for the economy mid-year onwards. The revised projections suggested a GDP growth of only 2.8% from a promising 4.3% growth under earlier estimates. Pressure on budget further piled up, with weakening of balance of payments, lower revenue collection, weak exports, and current account deficits. However, the higher than expected trade deficit was compensated in part by rising remittances. The foreign reserves also continued to cross record levels with foreign loans under rehabilitation and emergency aids packages. CPI continued to play between 12%-13% during 2010, with core inflation setting downwards, whereas the period average CPI inflation has been predicted at 13.5%, or higher, throughout FY11. The agricultural and textile slowdown indicate slight rising in the NPLs and the need of additional provisioning, impact of which can be seen materializing in the coming quarters. The situation in Pakistan is likely to remain fragile but controlled, given the vast support extended by the foreign countries against the exaggerated fear of economic collapse.

Future Outlook

In the rest of 2010, MCB will continue to focus on increasing momentum in our low cost liabilities franchise by investing in our branches and developing convenient and secure payment capabilities. We will also strengthen our quality product menu and increase cross-sell of products to our customer to meet their financial needs. In regards to the loan business, we intend to focus on selected credit opportunities and increasing utilization rates with our existing customers. The Bank will also continue to enhance our customer propositions for the SME, affluent and Islamic segments.

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 of Pakistan and the State Bank of Pakistan for their patronage and support.

on behalf of Directors


Mian Mohammad Mansha
 Chairman

October, 26, 2010



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

As at September 30, 2010

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

Contingencies and commitments

13

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

M.U.A. Usmani
President and Chief Executive

Dato' Mohammed Hussein
Director

Sarmad Amin
Director

Mian Umer Mansha
Director



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

For the nine months period ended September 30, 2010

	Note	Quarter ended September 30, 2010	Nine months ended September 30, 2010	Quarter ended September 30, 2009	Nine months ended September 30, 2009
Mark-up / return / interest earned					
Mark-up / return / interest earned		13,845,153	40,241,121	12,350,121	38,288,522
Mark-up / return / interest expensed		4,560,406	13,259,716	3,830,445	11,661,518
Net mark-up / interest income		9,284,747	26,981,405	8,519,676	26,627,004
Provision against loans and advances - net					
Provision against loans and advances - net		(26,043)	1,867,569	854,575	4,228,337
Provision for diminution in the value of investments - net		(10,587)	114,072	232,426	751,079
Bad debts written off directly		11,216	42,924	33,305	34,525
		(25,414)	2,024,565	1,120,306	5,013,941
Net mark-up / interest income after provisions		9,310,161	24,956,840	7,399,370	21,613,063
Non mark-up / interest income					
Fee, commission and brokerage income		981,609	3,055,395	823,650	2,607,205
Dividend income		95,576	320,834	153,589	343,613
Income from dealing in foreign currencies		199,231	474,943	(37,122)	264,157
Gain on sale of securities - net		170,416	327,231	114,001	237,104
Unrealized gain on revaluation of investments classified as held for trading		-	-	(1,360)	-
Other income		153,054	412,476	130,291	471,527
Total non mark-up / interest income		1,599,886	4,590,879	1,183,049	3,923,606
		10,910,047	29,547,719	8,582,419	25,536,669
Non-mark-up / interest expenses					
Administrative expenses		3,483,624	9,400,111	2,418,335	7,329,623
Other provisions		35,165	39,473	5,240	113,156
Other charges		240,579	745,335	194,551	440,894
Total non mark-up/interest expenses		3,759,368	10,184,919	2,618,126	7,883,673
		7,150,679	19,362,800	5,964,293	17,652,996
Extra ordinary / unusual item		-	-	-	-
Profit before taxation		7,150,679	19,362,800	5,964,293	17,652,996
Taxation					
- current period		2,197,936	5,964,753	2,272,629	6,878,139
- prior years		-	-	-	(85,600)
- deferred		398,391	901,460	(356,963)	(944,659)
		2,596,327	6,866,213	1,915,666	5,847,880
Profit after taxation		4,554,352	12,496,587	4,048,627	11,805,116
Earnings per share - basic and diluted - Rupees	14	5.99	16.44	5.33	15.53

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

M.U.A. Usmani
President and Chief Executive

Dato' Mohammed Hussein
Director

Sarmad Amin
Director

Mian Umer Mansha
Director



Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine months period ended September 30, 2010

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

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

M.U.A. Usmani
President and Chief Executive

Dato' Mohammed Hussein
Director

Sarmad Amin
Director

Mian Umer Mansha
Director



Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For the nine months period ended September 30, 2010

	September 30, 2010	September 30, 2009
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	19,362,800	17,652,996
Less: Dividend income	(320,834)	(343,613)
	19,041,966	17,309,383
Adjustments for non-cash charges		
Depreciation	742,079	673,925
Amortization	114,017	114,637
Provision against loans and advances - net	1,867,569	4,228,337
Provision for diminution in the value of investments - net	114,072	751,079
Other provisions	39,473	113,156
Bad debts written off directly	42,924	34,525
Gain on disposal of fixed assets	(9,705)	(20,337)
	2,910,429	5,895,322
	21,952,395	23,204,705
(Increase) / decrease in operating assets		
Lendings to financial institutions	(6,865,072)	(713,829)
Net investment in held for trading securities	-	94,176
Advances - net	22,761,895	19,955,586
Other assets - net	(2,933,125)	(3,253,187)
	12,963,698	16,082,746
Increase / (decrease) in operating liabilities		
Bills payable	643,335	(2,159,634)
Borrowings	(30,609,597)	(9,870,913)
Deposits and other accounts	54,667,413	31,842,251
Other liabilities	(339,503)	(8,728,830)
	24,361,648	11,082,874
	59,277,741	50,370,325
Income tax paid	(9,611,697)	(1,525,543)
Net cash flows from operating activities	49,666,044	48,844,782
Cash flows from investing activities		
Net investments in available-for-sale securities	(42,002,776)	(48,063,574)
Net investments in held-to-maturity securities	784,604	3,403,955
Investment in subsidiary companies	(84,139)	-
Dividend income received	324,647	280,358
Investment in operating fixed assets - net of disposals	(1,129,287)	(1,156,336)
Net cash flows from investing activities	(42,106,951)	(45,535,597)
Cash flows from financing activities		
Dividend paid	(5,968,426)	(4,878,618)
Net cash flows from financing activities	(5,968,426)	(4,878,618)
Exchange difference on translation of net investment in foreign branches	94,723	46,469
Increase in cash and cash equivalents	1,685,390	(1,522,964)
Cash and cash equivalents at beginning of the period	44,784,864	43,674,272
Cash and cash equivalents at end of period	46,470,254	42,151,308

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

M.U.A. Usmani
President and Chief Executive

Dato' Mohammed Hussein
Director

Sarmad Amin
Director

Mian Umer Mansha
Director

**Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2010**

	Capital Reserves			Revenue Reserves		Total	
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	General reserve		Unappropriated profit
	(Rupees in '000)						
Balance as at January 01, 2009	6,282,768	9,702,528	188,686	8,277,551	18,600,000	9,193,332	52,244,865
Change in equity for nine months ended September 30, 2009							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	15,989	15,989
Exchange differences on translation of net investment in foreign branches	-	-	46,469	-	-	-	46,469
Profit after taxation for nine months period ended September 30, 2009	-	-	-	-	-	11,805,116	11,805,116
Total comprehensive income for the period ended September 30, 2009	-	-	46,469	-	-	11,805,116	11,851,585
Transferred to statutory reserve	-	-	-	1,180,512	-	(1,180,512)	-
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	(628,277)	-
Final cash dividend - December 31, 2008	-	-	-	-	-	(1,570,692)	(1,570,692)
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)	(1,727,781)
Interim cash dividend - June 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Balance as at September 30, 2009	6,911,045	9,702,528	235,155	9,458,063	18,600,000	14,179,402	59,086,193
Change in equity for three months ended December 31, 2009							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	6,335	6,335
Exchange differences on translation of net investment in foreign branches	-	-	20,996	-	-	-	20,996
Profit after taxation for three months period ended December 31, 2009	-	-	-	-	-	3,690,181	3,690,181
Total comprehensive income for the period ended December 31, 2009	-	-	20,996	-	-	3,690,181	3,711,177
Transferred to statutory reserve	-	-	-	369,018	-	(369,018)	-
Interim cash dividend - September 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Balance as at December 31, 2009	6,911,045	9,702,528	256,151	9,827,081	18,600,000	15,779,127	61,075,932
Change in equity for nine months ended September 30, 2010							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	16,344	16,344
Exchange differences on translation of net investment in foreign branches	-	-	94,723	-	-	-	94,723
Profit after taxation for nine months period ended September 30, 2010	-	-	-	-	-	12,496,587	12,496,587
Total comprehensive income for the period ended September 30, 2010	-	-	94,723	-	-	12,496,587	12,591,310
Transferred to statutory reserve	-	-	-	1,249,659	-	(1,249,659)	-
Issue of bonus shares - December 31, 2009	691,105	-	-	-	-	(691,105)	-
Final cash dividend - December 31, 2009	-	-	-	-	-	(2,418,877)	(2,418,877)
Interim cash dividend - March 31, 2010	-	-	-	-	-	(1,900,549)	(1,900,549)
Interim cash dividend - June 30, 2010	-	-	-	-	-	(2,280,645)	(2,280,645)
Balance as at September 30, 2010	7,602,150	9,702,528	350,874	11,076,740	18,600,000	19,751,223	67,083,515

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



M.U.A. Usmani
President and Chief Executive



Dato' Mohammed Hussein
Director



Sarmad Amin
Director



Mian Umer Mansha
Director

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010**

1 STATUS AND NATURE OF BUSINESS

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global 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 1,102 branches including 12 Islamic banking branches (December 31, 2009: 1,074 branches including 11 Islamic banking branches) within Pakistan and 7 (December 31, 2009: 7) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

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

3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.3 The disclosures made in these unconsolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2009.

4 BASIS OF MEASUREMENT

4.1 These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments, commitments in respect of certain forward foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

4.2 These unconsolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

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

5.2 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2009.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

7 LENDINGS TO FINANCIAL INSTITUTIONS

	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Call money lendings	-	3,000,000
Repurchase agreement lendings	9,865,072	-
	9,865,072	3,000,000

8 INVESTMENTS - NET

8.1 Investments by types

	Note	September 30, 2010		
		Held by bank	Given as collateral	Total
----- Rupees in 000 -----				
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	194,258,643	2,444,986	196,703,629
Held-to-maturity securities	8.2	12,994,638	-	12,994,638
		207,253,281	2,444,986	209,698,267
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		462,065	-	462,065
		1,468,965	-	1,468,965
Investments at cost		208,722,246	2,444,986	211,167,232
Less: Provision for diminution in the value of investments		(3,149,662)	-	(3,149,662)
Investments (net of provisions)		205,572,584	2,444,986	208,017,570
Deficit on revaluation of available for sale securities - net		(219,227)	(4,270)	(223,497)
Investments at revalued amounts - net of provisions		205,353,357	2,440,716	207,794,073

December 31, 2009				
		Held by bank	Given as collateral	Total
----- Rupees in 000 -----				
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	123,838,258	31,513,525	155,351,783
Held-to-maturity securities	8.2	13,643,204	136,038	13,779,242
		137,481,462	31,649,563	169,131,025
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		377,926	-	377,926
		1,384,826	-	1,384,826
Investments at cost		138,866,288	31,649,563	170,515,851
Less: Provision for diminution in the value of investments		(3,686,520)	-	(3,686,520)
Investments (net of provisions)		135,179,768	31,649,563	166,829,331
Surplus / (deficit) on revaluation of available for sale securities - net		331,588	(26,454)	305,134
Investments at revalued amounts - net of provisions		135,511,356	31,623,109	167,134,465

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

- 8.2** Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2009: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2009: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.
- 8.3** Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (December 31, 2009: Rs. 943.600 million) as at September 30, 2010 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at September 30, 2010 amounted to Rs. 2,345.433 million (December 31, 2009: Rs. 4,039.049 million).

9 ADVANCES - NET

Loans, cash credits, running finances, etc

	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
- In Pakistan	225,392,626	247,718,210
- Outside Pakistan	9,199,651	7,788,234
	234,592,277	255,506,444

Net Investment in finance lease

- In Pakistan	2,681,583	3,867,943
- Outside Pakistan	45,160	65,492
	2,726,743	3,933,435

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan	1,083,597	4,519,520
- Payable outside Pakistan	8,484,391	5,762,777
	9,567,988	10,282,297

Advances - gross

	246,887,008	269,722,176
--	--------------------	--------------------

Less: Provision against loans and advances

- Specific provision	(17,655,090)	(15,678,345)
- General provision	(246,887)	(269,722)
- General provision against consumer loans	(377,744)	(494,434)
- General Provision for potential lease losses (in Srilanka Operations)	(30,268)	(30,268)
	(18,309,989)	(16,472,769)

Advances - net of provision

	228,577,019	253,249,407
--	--------------------	-------------

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010**

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

		September 30, 2010				
		Classified Advances			Specific	Specific
Category of Classification	Note	Domestic	Overseas	Total	Provision Required	Provision Held
----- Rupees in '000 -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	74,375	-	74,375	-	-
Substandard		1,940,240	43,167	1,983,407	471,948	471,948
Doubtful		3,111,258	64,344	3,175,602	1,504,018	1,504,018
Loss		14,582,244	4,071,996	18,654,240	15,679,124	15,679,124
		19,708,117	4,179,507	23,887,624	17,655,090	17,655,090
December 31, 2009						
		Classified Advances			Specific	Specific
Category of Classification		Domestic	Overseas	Total	Provision Required	Provision Held
----- Rupees in '000 -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	76,933	-	76,933	-	-
Substandard		2,960,881	24,728	2,985,609	696,740	696,740
Doubtful		4,242,845	-	4,242,845	1,920,370	1,920,370
Loss		11,965,808	3,967,528	15,933,336	13,061,235	13,061,235
		19,246,467	3,992,256	23,238,723	15,678,345	15,678,345

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

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

10.1 Details of borrowings (secured / unsecured)

Secured

	September 30, 2010	December 31, 2009
----- (Rupees in '000) -----		
Borrowings from State Bank of Pakistan		
Export refinance scheme	7,096,198	8,829,527
Long term financing facility	-	80,220
Long term financing - export oriented products scheme	2,068,845	2,018,330
	9,165,043	10,928,077
Borrowings from other financial institutions	410,775	452,398
Repurchase agreement borrowings	2,541,546	31,606,331
	2,952,321	32,058,729

Unsecured

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

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010**

11 DEPOSITS AND OTHER ACCOUNTS

Customers

	September 30, 2010	December 31, 2009
----- (Rupees in '000) -----		
Fixed deposits	78,121,839	62,651,531
Savings deposits	189,815,080	173,797,078
Current accounts	143,336,941	123,898,324
Margin accounts	3,218,451	2,910,655
Others	-	767
	414,492,311	363,258,355

Financial institutions

Remunerative deposits	3,827,779	2,258,295
Non-remunerative deposits	3,952,034	2,088,061
	7,779,813	4,346,356
	422,272,124	367,604,711

12 DEFERRED TAX LIABILITY / (ASSET) - NET

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

Taxable temporary differences on:

Surplus on revaluation of operating fixed assets	494,847	503,649
Accelerated tax depreciation	705,815	749,828
Receivable from pension fund	3,987,057	3,262,911
Net investment in finance lease	149,242	301,189
	5,336,961	4,817,577

Deductible temporary differences on:

Deficit on revaluation of securities	(200,101)	(90,053)
Provision for contributory benevolent scheme	(32,020)	(46,604)
Provision for post retirement medical benefits	(367,092)	(399,420)
Provision for bad debts	(749,593)	(1,084,757)
	(1,348,806)	(1,620,834)
	3,988,155	3,196,743

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

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

	September 30, 2010	December 31, 2009
----- (Rupees in '000) -----		
- Government	4,895,825	6,027,243
- Banks and financial institutions	5,336,650	11,312,597
- Others	7,122,491	4,755,380
Suppliers' credit / payee guarantee	2,128,779	2,421,640
	19,483,745	24,516,860

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010**

	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
13.2 Trade-related contingent liabilities	52,953,846	47,577,037
13.3 Other contingencies		
Claims against the Bank not acknowledged as debts	686,389	542,415

13.4 Commitments to extend credit

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

	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
13.5 Commitments in respect of forward foreign exchange contracts		
Purchase	23,077,457	23,832,214
Sale	23,121,434	23,037,004
13.6 Commitments for the acquisition of fixed assets	228,625	-
13.7 Other commitments		
Cross currency swaps (notional amount)	191,408	249,690
Interest rate swaps (notional amount)	-	166,667
FX Option	177,394	-
Forward outright sale of Government Securities	656,930	-

13.8 Taxation

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

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

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

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

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 nine months period ended September 30, 2010**

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Nine months ended September 30, 2010				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	----- (Rupees in '000) -----				
Total income	81,965	12,196,764	18,308,401	14,244,870	44,832,000
Total expenses	(19,128)	(1,944,886)	(21,119,021)	(2,386,165)	(25,469,200)
Income tax expense	-	-	-	-	(6,866,213)
Net income	62,837	10,251,878	(2,810,620)	11,858,705	12,496,587
Segment assets - (Gross of NPLs Provisions)	-	241,056,365	105,819,637	207,713,232	554,589,234
Advance tax - net of provision	-	-	-	-	2,550,671
Total assets	-	241,056,365	105,819,637	207,713,232	557,139,905
Segment non performing loans	-	-	6,880,819	17,006,805	23,887,624
Segment specific provision required	-	-	5,085,540	12,569,550	17,655,090
Segment liabilities	-	214,607,702	75,300,863	170,275,426	460,183,991
Deferred tax liabilities - net	-	-	-	-	3,988,155
Total liabilities - net	-	214,607,702	75,300,863	170,275,426	464,172,146
Segment return on assets (ROA) (%)	-	5.67%	-3.72%	8.10%	3.10%
Segment cost of fund (%)	-	11.22%	3.93%	4.84%	4.09%

	Nine months ended September 30, 2009				
Total income	73,243	7,511,429	21,556,201	13,071,255	42,212,128
Total expenses	(15,628)	(1,829,318)	(20,219,396)	(2,494,790)	(24,559,132)
Income tax expense	-	-	-	-	(5,847,880)
Net income	57,615	5,682,111	1,336,805	10,576,465	11,805,116
Segment assets - (Gross of NPLs provision)	-	163,559,604	118,735,466	200,555,452	482,850,522
Total assets	-	163,559,604	118,735,466	200,555,452	482,850,522
Segment non performing loans	-	-	7,807,295	14,046,836	21,854,131
Segment specific provision required	-	-	5,018,718	9,029,645	14,048,363
Segment liabilities	-	143,781,819	87,406,399	164,727,794	395,916,012
Deferred tax assets	-	-	-	-	22,951
Provision for taxation	-	-	-	-	5,266,997
Total liabilities - net	-	143,781,819	87,406,399	164,727,794	401,205,960
Segment return on assets (ROA) (%)	-	4.63%	1.57%	7.36%	3.36%
Segment cost of fund (%)	-	2.01%	3.80%	4.54%	3.82%

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010**

17 RELATED PARTY TRANSACTIONS

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

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

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

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	Nine months ended September 30, 2010	Year ended Dec 31, 2009	Nine months ended September 30, 2010	Year ended Dec 31, 2009	Nine months ended September 30, 2010	Year ended Dec 31, 2009	Nine months ended September 30, 2010	Year ended Dec 31, 2009
----- (Rupees in '000) -----								
Deposits								
Deposits at beginning of the period / year	1,394,294	426,196	709,726	832,872	38,047	29,303	17,518,224	4,952,402
Deposits received during the period / year	38,398,655	20,156,909	83,277,956	137,233,548	673,603	598,908	132,939,076	219,380,319
Deposits repaid during the period / year	(37,727,976)	(19,188,811)	(83,705,153)	(137,356,694)	(659,012)	(590,164)	(130,384,604)	(206,814,497)
Deposits at the end of the period / year	2,064,973	1,394,294	282,529	709,726	52,638	38,047	20,072,696	17,518,224
Advances (secured)								
Balance at beginning of the period / year	-	-	-	-	1,141	1,640	-	-
Loan granted during the period / year	-	-	-	-	-	-	-	-
Repayment during the period / year	-	-	-	-	(415)	(499)	-	-
Balance at end of the period / year	-	-	-	-	726	1,141	-	-

Receivable from Pension Fund

Directors		Associated companies		Subsidiary companies		Other Related Parties	
September 30, 2010	September 30 / December 31, 2009	September 30, 2010	September 30 / December 31, 2009	September 30, 2010	September 30 / December 31, 2009	September 30, 2010	September 30 / December 31, 2009
----- (Rupees in '000) -----							

Adamjee Insurance Company Limited

Insurance premium paid	-	-	193,754	182,058	-	-	-	-
Insurance claim settled	-	-	72,241	76,061	-	-	-	-
Dividend income	-	-	85,171	78,917	-	-	-	-
Rent income received	-	-	4,769	8,846	-	-	-	-

Mayban International Trust (Labuan) Berhad

Dividend paid	-	-	1,320,010	942,415	-	-	-	-
Bonus shares issued	-	-	138,221	125,655	-	-	-	-
Forward foreign exchange contracts (Notional)	-	-	410,516	3,408,431	-	-	-	-
Unrealized gain / (loss) on forward foreign exchange contracts	-	-	698	(36,213)	-	-	-	-

MNET Services (Private) Limited

Outsourcing service expenses	-	-	-	-	54,830	47,965	-	-
Networking service expenses	-	-	-	-	10,212	2,840	-	-
Switch revenue	-	-	-	-	93	357	-	-
Payment system managed service revenue (PSM)	-	-	-	-	20,041	21,512	-	-
Payable for trade debts	-	-	-	-	25,887	35,501	-	-

"MCB Leasing" Closed Joint Stock Company

- Capital injection	-	-	-	-	84,138	394	-	-
---------------------	---	---	---	---	--------	-----	---	---

MCB Asset Management Company Limited

- Markup paid	-	-	-	-	310	558	-	-
- Markup payable	-	-	-	-	235	51	-	-
- Others	-	-	-	-	2,298	1,001	-	-

MCB Trade Services

- Dividend received	-	-	-	-	9,929	11,315	-	-
---------------------	---	---	---	---	-------	--------	---	---

MCB Employees Foundation

- Service expenses	-	-	-	-	-	-	13,232	12,462
- Cash sorting expenses	-	-	-	-	-	-	19,855	14,840
- Cash in transit expenses	-	-	-	-	-	-	220	780
- Security guard expenses	-	-	-	-	-	-	122,100	-
- Advance receivable	-	-	-	-	-	-	20,000	20,000

Others

- Remuneration of key management personnel	53,054	52,326	-	-	-	-	187,987	188,477
- Miscellaneous expenses	-	-	-	-	-	-	124,666	99,882
- Contribution to provident fund	-	-	-	-	-	-	118,567	111,177

The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010**

18 ISLAMIC BANKING BUSINESS

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

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

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010**

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

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

19 GENERAL

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

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

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 26, 2010 has announced cash dividend in respect of the nine months period ended September 30, 2010 of Rs.3.0 per share (September 30, 2009: Rs 2.50 per share). These unconsolidated condensed interim financial statements for the nine months period ended September 30, 2010 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

21 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on October 26, 2010.



M.U.A. Usmani
President and Chief Executive



Dato' Mohammed Hussein
Director



Sarmad Amin
Director



Mian Umer Mansha
Director



MCB BANK LIMITED

(Consolidated Accounts of MCB Bank Limited and its Subsidiary Companies)

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

As at September 30, 2010

	Note	Unaudited September 30, 2010 ----- (Rupees in '000) -----	Audited December 31, 2009
Assets			
Cash and balances with treasury banks		43,851,284	38,774,871
Balances with other banks		2,702,679	6,077,354
Lendings to financial institutions	7	9,865,072	3,000,000
Investments - net	8	210,091,268	169,484,647
Advances - net	9	228,576,293	253,248,265
Operating fixed assets		18,397,800	18,099,010
Deferred tax assets - net		-	-
Other assets - net		28,552,704	23,057,731
		542,037,100	511,741,878
Liabilities			
Bills payable		8,844,425	8,201,090
Borrowings	10	14,052,491	44,662,088
Deposits and other accounts	11	422,219,959	367,581,075
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	4,004,657	3,201,756
Other liabilities		15,014,763	15,782,589
		464,136,295	439,428,598
Net assets		77,900,805	72,313,280
Represented by:			
Share capital		7,602,150	6,911,045
Reserves		39,731,891	38,387,656
Un-appropriated profit		21,848,860	17,821,670
		69,182,901	63,120,371
Minority interest		2,713	71
		69,185,614	63,120,442
Surplus on revaluation of assets - net of tax		8,715,191	9,192,838
		77,900,805	72,313,280

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 and Chief Executive

Dato' Mohammed Hussein
Director

Sarmad Amin
Director

Mian Umer Mansha
Director

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

For the nine months period ended September 30, 2010

	Note	Quarter ended September 30, 2010	Nine months ended September 30, 2010 ----- (Rupees in '000) -----	Quarter ended September 30, 2009	Nine months ended September 30, 2009
Mark-up / return / interest earned		13,847,114	40,246,684	12,352,280	38,293,738
Mark-up / return / interest expensed		4,559,577	13,257,779	3,830,720	11,661,235
Net mark-up / interest income		9,287,537	26,988,905	8,521,560	26,632,503
Provision against loans and advances - net		(26,043)	1,867,569	854,575	4,228,337
Provision for diminution in the value of investments - net		(10,587)	114,072	232,426	751,079
Bad debts written off directly		11,216	42,924	33,305	34,525
		(25,414)	2,024,565	1,120,306	5,013,941
Net mark-up / interest income after provisions		9,312,951	24,964,340	7,401,254	21,618,562
Non mark-up / interest income					
Fee, commission and brokerage income		982,298	3,057,185	824,941	2,611,470
Income from trustee ship		5,537	16,923	4,477	12,635
Dividend income		59,542	227,420	107,096	256,025
Income from dealing in foreign currencies		199,581	475,293	(37,122)	264,157
Gain on sale of securities - net		189,555	345,153	143,322	265,072
Unrealized gain on revaluation of investments classified as held for trading		(7,284)	11,855	(21,280)	7,151
Other income		251,939	618,513	178,405	575,851
Total non mark-up / interest income		1,681,168	4,752,342	1,199,839	3,992,361
		10,994,119	29,716,682	8,601,093	25,610,923
Non-mark-up / interest expenses					
Administrative expenses		3,579,480	9,592,487	2,420,043	7,345,485
Other provisions		35,165	39,473	5,240	113,156
Other charges		242,939	748,783	216,844	503,702
Total non mark-up/interest expenses		3,857,584	10,380,743	2,642,127	7,962,343
Share of profit of associated undertaking		(9,193)	165,201	514,610	734,654
		7,127,342	19,501,140	6,473,576	18,383,234
Extra ordinary / unusual item		-	-	-	-
Profit before taxation		7,127,342	19,501,140	6,473,576	18,383,234
Taxation - current period		2,206,510	5,984,639	2,286,042	6,897,362
- prior years		-	-	-	(85,600)
- deferred		399,958	912,939	(357,195)	(945,228)
Share of tax of associated undertaking		7,954	53,731	13,546	65,227
		2,614,422	6,951,309	1,942,393	5,931,761
		4,512,920	12,549,831	4,531,183	12,451,473
Minority interest		818	1,808	(4)	(9)
Profit after taxation		4,513,738	12,551,639	4,531,179	12,451,464
Earnings per share - basic and diluted - Rupees	14	5.94	16.51	5.96	16.38

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

M.U.A. Usmani
President and Chief Executive

Dato' Mohammed Hussein
Director

Sarmad Amin
Director

Mian Umer Mansha
Director



Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine months period ended September 30, 2010

	Quarter ended September 30, 2010	Nine months ended September 30, 2010	Quarter ended September 30, 2009	Nine months ended September 30, 2009
------(Rupees '000') -----				
Profit after tax for the period	4,512,920	12,549,831	4,531,183	12,451,473
Other comprehensive income				
Effect of translation of net investment in foreign branches	53,123	94,576	34,503	44,510
Comprehensive income transferred to equity	4,566,043	12,644,407	4,565,686	12,495,983
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	(403,606)	(528,631)	362,940	2,865,280
Deferred tax	115,413	110,048	89,553	(530,474)
	(288,193)	(418,583)	452,493	2,334,806
Total comprehensive income for the period	4,277,850	12,225,824	5,018,179	14,830,789

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



Consolidated Condensed Interim Cash Flow Statement (Un-audited)
For the nine months period ended September 30, 2010

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
----- (Rupees in '000) -----		
Cash flows from operating activities		
Profit before taxation	19,501,140	18,383,234
Less: Dividend income and share of profit of associated undertaking	(392,621)	(990,679)
	19,108,519	17,392,555
Adjustments for non-cash charges		
Depreciation	745,755	673,925
Amortization	114,170	114,637
Provision against loans and advances - net	1,867,569	4,228,337
Provision for diminution in the value of investments - net	114,072	751,079
Other provisions	39,473	113,156
Bad debts written off directly	42,924	34,525
Gain on disposal of fixed assets	(10,673)	(20,337)
Unrealized gain on revaluation of investments classified as held for trading	(11,855)	(7,151)
	2,901,435	5,888,171
	22,009,954	23,280,726
(Increase) / decrease in operating assets		
Lendings to financial institutions	(6,865,072)	(713,829)
Net investments in 'held for trading' securities	(35,671)	165,402
Advances - net	22,761,479	19,955,218
Other assets - net	(3,027,604)	(3,422,102)
	12,833,132	15,984,689
Increase / (decrease) in operating liabilities		
Bills payable	643,335	(2,159,634)
Borrowings	(30,609,597)	(9,870,913)
Deposits and other accounts	54,638,884	31,852,325
Other liabilities	(303,198)	(8,747,648)
	24,369,424	11,074,130
	59,212,510	50,339,545
Income tax paid	(9,600,209)	(1,467,790)
Net cash flows from operating activities	49,612,301	48,871,755
Cash flows from investing activities		
Net investments in available-for-sale securities	(42,002,776)	(48,048,574)
Net investments in held-to-maturity securities	784,604	3,388,955
Dividend income received	325,051	241,907
Proceeds from issue of shares to minority interest	4,450	-
Investment in operating fixed assets - net of disposals	(1,148,042)	(1,151,376)
Net cash flows from investing activities	(42,036,713)	(45,569,088)
Cash flows from financing activities		
Dividend paid	(5,968,426)	(4,878,618)
Net cash flows from financing activities	(5,968,426)	(4,878,618)
Exchange difference on translation of net investment in foreign branches	94,576	44,510
Increase in cash and cash equivalents	1,701,738	(1,531,441)
Cash and cash equivalents at beginning of the period	44,852,225	43,737,745
Cash and cash equivalents at end of the period	46,553,963	42,206,304

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

M.U.A. Usmani
President and Chief Executive

Dato' Mohammed Hussein
Director

Sarmad Amin
Director

Mian Umer Mansha
Director

M.U.A. Usmani
President and Chief Executive

Dato' Mohammed Hussein
Director

Sarmad Amin
Director

Mian Umer Mansha
Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2010

	Capital Reserves			Revenue Reserves			Sub total	Minority interest	Total
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit			
(Rupees in '000)									
Balance as at January 01, 2009	6,282,768	9,702,528	192,242	8,277,551	18,600,000	11,065,723	54,120,812	69	54,120,881
Change in equity for nine months ended September 30, 2009									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	16,028	16,028	-	16,028
Exchange differences on translation of net investment in foreign branches	-	-	44,510	-	-	-	44,510	-	44,510
Profit after taxation for nine months period ended September 30, 2009	-	-	-	-	-	12,451,473	12,451,473	-	12,451,473
Total comprehensive income for the period ended September 30, 2009	-	-	44,510	-	-	12,451,473	12,495,983	-	12,495,983
Share of profit attributable to minority interest	-	-	-	-	-	(9)	(9)	9	-
Transferred to statutory reserve	-	-	-	1,180,512	-	(1,180,512)	-	-	-
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	(628,277)	-	-	-
Final cash dividend - December 31, 2008	-	-	-	-	-	(1,570,692)	(1,570,692)	-	(1,570,692)
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)	(1,727,781)	-	(1,727,781)
Interim cash dividend - June 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)	-	(1,727,773)
Balance as at September 30, 2009	6,911,045	9,702,528	236,752	9,458,063	18,600,000	16,698,180	61,606,568	78	61,606,646
Change in equity for three months ended December 31, 2009									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	6,346	6,346	-	6,346
Exchange differences on translation of net investment in foreign branches	-	-	21,295	-	-	-	21,295	-	21,295
Profit after taxation for three months period ended December 31, 2009	-	-	-	-	-	3,213,930	3,213,930	-	3,213,930
Total comprehensive income for the period ended December 31, 2009	-	-	21,295	-	-	3,213,930	3,235,225	-	3,235,225
Share of profit attributable to minority interest	-	-	-	-	-	5	5	(5)	-
Transferred to statutory reserve	-	-	-	369,018	-	(369,018)	-	-	-
Dividend attributable to minority share holders	-	-	-	-	-	-	-	(2)	(2)
Interim cash dividend - September 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)	-	(1,727,773)
Balance as at December 31, 2009	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 nine months ended September 30, 2010									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	16,386	16,386	-	16,386
Exchange differences on translation of net investment in foreign branches	-	-	94,576	-	-	-	94,576	-	94,576
Profit after taxation for nine months period ended September 30, 2010	-	-	-	-	-	12,549,831	12,549,831	-	12,549,831
Total comprehensive income for the period ended September 30, 2010	-	-	94,576	-	-	12,549,831	12,644,407	-	12,644,407
Share of profit attributable to minority interest	-	-	-	-	-	1,808	1,808	(1,808)	-
Share of capital attributable to minority interest	-	-	-	-	-	-	-	4,450	4,450
Transferred to statutory reserve	-	-	-	1,249,659	-	(1,249,659)	-	-	-
Issue of bonus shares - December 31, 2009	691,105	-	-	-	-	(691,105)	-	-	-
Final cash dividend - December 31, 2009	-	-	-	-	-	(2,418,877)	(2,418,877)	-	(2,418,877)
Interim cash dividend - March 31, 2010	-	-	-	-	-	(1,900,549)	(1,900,549)	-	(1,900,549)
Interim cash dividend - June 30, 2010	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
Balance as at September 30, 2010	7,602,150	9,702,528	352,623	11,076,740	18,600,000	21,848,860	69,182,901	2,713	69,185,614

M.U.A. Usmani
President and Chief Executive

Dato' Mohammed Hussein
Director

Sarmad Amin
Director

Mian Umer Mansha
Director

Notes to the consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company
- MCB Bank Limited

"Percentage holding of
MCB Bank Limited"

Subsidiary Companies
- MCB Financial Services Limited
- MNET Services (Private) Limited
- MCB Trade Services Limited
- MCB Asset Management Company Limited
- "MCB Leasing" Closed Joint Stock Company

99.99%
99.95%
100%
99.99%
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) (representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg, Lahore, respectively. The Bank operates 1,102 branches including 12 Islamic banking branches (December 31, 2009: 1,074 branches including 11 Islamic banking branches) with in Pakistan and 7 (December 31, 2009: 7) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these 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 September 30, 2010 and the carrying value of investments held by the bank is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.

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 September 30, 2010.

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.

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.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

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. 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, 2009.

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 Group'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, 2009.

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, 2009.

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, 2009.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	September 30, 2010	December 31, 2009
Call money lendings	-	3,000,000
Repurchase agreement lendings	9,865,072	-
	9,865,072	3,000,000

8 INVESTMENTS - NET

8.1 Investments by types

	September 30, 2010		
	Held by bank	Given as collateral	Total
	----- Rupees in '000 -----		
Held-for-trading securities	367,669	-	367,669
Available-for-sale securities	194,258,643	2,444,986	196,703,629
Held-to-maturity securities	12,994,638	-	12,994,638
	207,620,950	2,444,986	210,065,936
Adamjee Insurance Company Limited	3,323,336	-	3,323,336
First Women Bank Limited	63,300	-	63,300
	3,386,636	-	3,386,636
Investments at cost	211,007,586	2,444,986	213,452,572
Less: Provision for diminution in the value of investments	(3,149,662)	-	(3,149,662)
Investments (net of provisions)	207,857,924	2,444,986	210,302,910
Deficit on revaluation of available for sale securities - net	(219,227)	(4,270)	(223,497)
Surplus on revaluation of held-for-trading securities - net	11,855	-	11,855
Investments at revalued amounts - net of provisions	207,650,552	2,440,716	210,091,268

Note

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

	December 31, 2009		
	Held by bank	Given as collateral	Total
	----- Rupees in '000 -----		
Held-for-trading securities	320,488	-	320,488
Available-for-sale securities	123,838,258	31,513,525	155,351,783
Held-to-maturity securities	13,643,204	136,038	13,779,242
	137,801,950	31,649,563	169,451,513
Adamjee Insurance Company Limited	3,339,710	-	3,339,710
First Women Bank Limited	63,300	-	63,300
	3,403,010	-	3,403,010
Investments at cost	141,204,960	31,649,563	172,854,523
Less: Provision for diminution in the value of investments	(3,686,520)	-	(3,686,520)
Investments (net of provisions)	137,518,440	31,649,563	169,168,003
Surplus / (deficit) on revaluation of available for sale securities - net	331,588	(26,454)	305,134
Surplus on revaluation of held-for-trading securities - net	11,510	-	11,510
Investments at revalued amounts - net of provisions	137,861,538	31,623,109	169,484,647

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2009: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2009: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

8.3 Investment of the 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 September 30, 2010 amounted to Rs. 2,345.433 million (December 31, 2009: Rs. 4,039.049 million).

	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Opening Balance	3,339,710	2,511,489
Share of profit before tax	165,201	200,196
Dividend from Associate	(85,171)	(78,917)
Share of tax	(53,731)	(464)
	26,299	120,815
Share of unrealised surplus / (deficit) on assets - net of tax	(42,673)	707,406
Closing balance	3,323,336	3,339,710

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

9 ADVANCES - NET

	September 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	225,392,626	247,718,210
- Outside Pakistan	9,199,651	7,788,234
	234,592,277	255,506,444
Net Investment in finance lease		
- In Pakistan	2,680,857	3,866,801
- Outside Pakistan	45,160	65,492
	2,726,017	3,932,293
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	1,083,597	4,519,520
- Payable outside Pakistan	8,484,391	5,762,777
	9,567,988	10,282,297
Advances - gross	246,886,282	269,721,034
Less: Provision against loans and advances		
- Specific provision	(17,655,090)	(15,678,345)
- General provision	(246,887)	(269,722)
- General provision against consumer loans	(377,744)	(494,434)
- General Provision for potential lease losses (in Sri Lanka Operations)	(30,268)	(30,268)
	(18,309,989)	(16,472,769)
Advances - net of provision	228,576,293	253,248,265

9.1

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

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

Category of Classification	Note	September 30, 2010				
		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
----- Rupees in '000 -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	74,375	-	74,375	-	-
Substandard		1,940,240	43,167	1,983,407	471,948	471,948
Doubtful		3,111,258	64,344	3,175,602	1,504,018	1,504,018
Loss		14,582,244	4,071,996	18,654,240	15,679,124	15,679,124
		19,708,117	4,179,507	23,887,624	17,655,090	17,655,090
December 31, 2009						
Category of Classification		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
----- Rupees in '000 -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	76,933	-	76,933	-	-
Substandard		2,960,881	24,728	2,985,609	696,740	696,740
Doubtful		4,242,845	-	4,242,845	1,920,370	1,920,370
Loss		11,965,808	3,967,528	15,933,336	13,061,235	13,061,235
		19,246,467	3,992,256	23,238,723	15,678,345	15,678,345

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

	September 30, 2010	December 31, 2009
In Pakistan	12,718,860	43,658,408
Outside Pakistan	1,333,631	1,003,680
	14,052,491	44,662,088

10.1 Details of borrowings (secured / unsecured)

	September 30, 2010	December 31, 2009
Secured		
Borrowings from State Bank of Pakistan		
Export refinance scheme	7,096,198	8,829,527
Long term financing facility	-	80,220
Long term financing - export oriented products scheme	2,068,845	2,018,330
	9,165,043	10,928,077
Borrowings from other financial institutions	410,775	452,398
Repurchase agreement borrowings	2,541,546	31,606,331
	2,952,321	32,058,729
Unsecured		
Overdrawn nostro accounts	1,140,282	529,190
Call borrowings	794,845	1,146,092
	1,935,127	1,675,282
	14,052,491	44,662,088

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

11 DEPOSITS AND OTHER ACCOUNTS

Customers

	September 30, 2010	December 31, 2009
Fixed deposits	78,099,839	62,651,531
Savings deposits	189,796,703	173,773,442
Current accounts	143,325,153	123,898,324
Margin accounts	3,218,451	2,910,655
Others	-	767
	414,440,146	363,234,719

Financial institutions

Remunerative deposits	3,827,779	2,258,295
Non-remunerative deposits	3,952,034	2,088,061
	7,779,813	4,346,356
	422,219,959	367,581,075

12 DEFERRED TAX LIABILITY / (ASSET) - NET

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

Taxable temporary differences on:

Surplus on revaluation of operating fixed assets	508,834	504,200
Accelerated tax depreciation	706,307	756,384
Receivable from pension fund	3,987,057	3,262,911
Net investment in finance lease	149,242	301,166
Others	2,776	-
	5,354,216	4,824,661

Deductible temporary differences on:

Deficit on revaluation of securities	(200,101)	(90,053)
Provision for contributory benevolent scheme	(32,020)	(46,604)
Provision for post retirement medical benefits	(367,092)	(399,420)
Provision for bad debts	(749,778)	(1,084,974)
Provision for gratuity	(568)	(399)
Others	-	(1,455)
	(1,349,559)	(1,622,905)
	4,004,657	3,201,756

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

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

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

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

	September 30, 2010	December 31, 2009
----- (Rupees in '000) -----		
13.2 Trade-related contingent liabilities	52,953,846	47,577,037
13.3 Other contingencies		
Claims against the Bank not acknowledged as debts	686,389	542,415
13.4 Commitments to extend credit		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	September 30, 2010	December 31, 2009
----- (Rupees in '000) -----		
13.5 Commitments in respect of forward foreign exchange contracts		
Purchase	23,077,457	23,832,214
Sale	23,121,434	23,037,004
13.6 Commitments for the acquisition of fixed assets	228,625	-
13.7 Other commitments		
Cross currency swaps (notional amount)	191,408	249,690
Interest rate swaps (notional amount)	-	166,667
FX Option	177,394	-
Forward outright sale of Government Securities	656,930	-

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

Total disallowances for the assessment years 1994-95 to 1997-98 on account of interest in suspense amounted to Rs. 722.682 Million out of which an amount of Rs. 317.289 Million has been allowed in the assessment years 1998-1999 to 2000-2001. It is expected that the pending appeals in this regard in the honorable Sind High Court shall be decided in the favor of Bank as allowed in assessment years 1992-1993 and 1993-1994 subsequent to the favorable order of the Sind High Court. The management considers that provision is not necessary for the remaining balance of Rs. 405.393 Million resulting in tax liability for interest in suspense for Rs. 244.781 Million as the Bank has been subjected to tax far exceeding its normal tax liability and is hopeful of favorable decisions in appeals. Accordingly, no provision has been made in these consolidated condensed interim financial statements for the above issues.

Nine months ended
September 30, 2010 **September 30, 2009**
---- (Rupees in '000) ----

14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	12,551,639	12,451,464
<i>Number of shares</i>		
Weighted average number of shares outstanding during the period	760,214,980	760,214,980
<i>Rupees</i>		
Basic and diluted Earnings per share - after tax	16.51	16.38

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 nine months period ended September 30, 2010

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Nine months ended September 30, 2010						
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination	Total
----- (Rupees in '000) -----							
Total income	100,595	12,221,518	18,378,652	14,319,830	190,564	(46,932)	45,164,227
Total expenses	(32,113)	(1,956,534)	(21,174,755)	(2,437,546)	(109,071)	46,932	(25,663,087)
Income tax expense	-	-	-	-	-	-	(6,951,309)
Net income	68,482	10,264,984	(2,796,103)	11,882,284	81,493	-	12,549,831
Segment assets - (Gross of NPLs Provisions)	45,140	242,157,105	106,340,394	208,653,225	521,318	(544,294)	557,172,888
Advance tax - net of provision	-	-	-	-	-	-	2,519,302
Total assets	45,140	242,157,105	106,340,394	208,653,225	521,318	(544,294)	559,692,190
Segment non performing loans	-	-	6,880,819	17,006,805	-	-	23,887,624
Segment specific provision required	-	-	5,085,540	12,569,550	-	-	17,655,090
Segment liabilities	-	214,813,446	75,386,819	170,440,471	35,196	(544,294)	460,131,638
Deferred tax liabilities - net	-	-	-	-	-	-	4,004,657
Total liabilities - net	-	214,813,446	75,386,819	170,440,471	35,196	(544,294)	464,136,295
Segment return (before tax) on assets (ROA) (%)	-	5.65%	-3.68%	8.08%	20.84%	-	3.10%
Segment cost of fund (%)	-	11.22%	3.93%	4.84%	-	-	4.09%

	Nine months ended September 30, 2009						
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination	Total
Total income	87,932	7,681,701	21,798,125	13,394,601	138,744	(80,350)	43,020,753
Total expenses	(27,520)	(1,828,830)	(20,265,666)	(2,522,216)	(73,637)	80,350	(24,637,519)
Income tax expense	-	-	-	-	-	-	(5,931,761)
Net income	60,412	5,852,871	1,532,459	10,872,385	65,107	-	12,451,473
Segment assets - (Gross of NPLs provision)	25,736	164,373,477	119,357,306	201,531,170	481,939	(489,527)	485,280,101
Total assets	25,736	164,373,477	119,357,306	201,531,170	481,939	(489,527)	485,280,101
Segment non performing loans	-	-	7,807,295	14,046,836	-	-	21,854,131
Segment specific provision required	-	-	5,018,718	9,029,645	-	-	14,048,363
Segment liabilities	-	143,966,927	87,490,553	164,863,624	46,308	(489,527)	395,877,885
Deferred tax assets	-	-	-	-	-	-	25,540
Provision for taxation	-	-	-	-	-	-	5,279,359
Total liabilities - net	-	143,966,927	87,490,553	164,863,624	46,308	(489,527)	401,182,784
Segment return (before tax) on assets (ROA) (%)	312.98%	4.75%	1.79%	7.53%	18.01%	-	3.52%
Segment cost of fund (%)	-	2.01%	3.80%	4.54%	-	-	3.82%

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

17 RELATED PARTY TRANSACTIONS

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

Transactions between the Group and its related parties are carried out at an arm's length basis under the comparable uncontrolled price method. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan. There are no transactions with key management personnel other than under their terms of employment. Remuneration to the executives and key management personnel are determined in accordance with the terms of their employment.

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

	Directors		Associated companies		Other Related Parties	
	Nine months ended September 30, 2010	Year ended Dec 31, 2009	Nine months ended September 30, 2010	Year ended Dec 31, 2009	Nine months ended September 30, 2010	Year ended Dec 31, 2009
----- (Rupees in '000) -----						

Deposits

Deposits at beginning of the period / year	1,394,294	426,196	709,726	832,872	17,518,224	4,952,402
Deposits received during the period / year	38,398,655	20,156,909	83,277,956	137,233,548	132,939,076	219,380,319
Deposits repaid during the period / year	(37,727,976)	(19,188,811)	(83,705,153)	(137,356,694)	(130,384,604)	(206,814,497)
Deposits at the end of the period / year	2,064,973	1,394,294	282,529	709,726	20,072,696	17,518,224

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

Receivable from Pension Fund

	Directors		Associated companies		Other Related Parties	
	September 30, 2010	September 30 / December 31, 2009	September 30, 2010	September 30 / December 31, 2009	September 30, 2010	September 30 / December 31, 2009
----- (Rupees in '000) -----						

Adamjee Insurance Company Limited

Insurance premium paid	-	-	193,754	182,058	-	-
Insurance claim settled	-	-	72,241	76,061	-	-
Dividend income	-	-	85,171	78,917	-	-
Rent income received	-	-	4,769	8,846	-	-

Mayban International Trust (Labuan) Berhad

Dividend paid	-	-	1,320,010	942,415	-	-
Bonus shares issued	-	-	138,221	125,655	-	-
Forward foreign exchange contracts (Notional)	-	-	410,516	3,408,431	-	-
Unrealized gain / (loss) on forward foreign exchange contracts	-	-	698	(36,213)	-	-

MCB Employees Foundation

- Service expenses	-	-	-	-	13,232	12,462
- Cash sorting expenses	-	-	-	-	19,855	14,840
- Cash in transit expenses	-	-	-	-	220	780
- Security guard expenses	-	-	-	-	122,100	-
- Advance receivable	-	-	-	-	20,000	20,000

Others

- Remuneration of key management personnel	53,054	52,326	-	-	187,987	188,477
- Miscellaneous expenses	-	-	-	-	124,666	99,882
- Contribution to provident fund	-	-	-	-	118,567	111,177

The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

18 ISLAMIC BANKING BUSINESS

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

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

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2010

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

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

19 GENERAL

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

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

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 26, 2010 has announced cash dividend in respect of the nine months period ended September 30, 2010 of Rs. 3.0 per share (September 30, 2009: Rs 2.50 per share). These consolidated condensed interim financial statements for the nine months period ended September 30, 2010 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

21 DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on October 26, 2010.



M.U.A. Usmani
President and Chief Executive



Dato' Mohammed Hussein
Director



Sarmad Amin
Director



Mian Umer Mansha
Director