

Third Quarterly Report 2012



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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



MCB Bank Limited

CORPORATE PROFILE

Board of Directors:

Mian Mohammad Mansha	Chairman
S. M. Muneer	Vice Chairman
Tariq Rafi	Director
Shahzad Saleem	Director
Sarmad Amin	Director
Mian Raza Mansha	Director
Mian Umer Mansha	Director
Aftab Ahmad Khan	Director
Manzar Mushtaq	Director
Ahmad Alman Aslam	Director
Dato' Seri Ismail Shahudin	Director
Abdul Farid Bin Alias	Director
M. U. A. Usmani	President / CEO

Audit Committee:

Tariq Rafi	Chairman
Aftab Ahmad Khan	Member
Dato' Seri Ismail Shahudin	Member
Ahmad Alman Aslam	Member

Chief Financial Officer:

Salman Zafar Siddiqi

Company Secretary:

Abdus S. Sami

Auditors:

M/s. A. F. Ferguson & Co.
Chartered Accountants

Legal Advisors:

M/s. Khalid Anwer & Co.
Advocates & Legal Consultants

Principal/Registered Office:

MCB Building
15-Main Gulberg, Jail Road, 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 - SEPTEMBER 2012

I am pleased to place before you, on behalf of the Board of Directors, the financial statements of your Bank for the nine months period ended September 30, 2012.

Financial Highlights

	Rs. in Million
Profit Before Taxation	25,459
Taxation	(8,786)
Profit After Taxation	16,673
Un-appropriated Profit Brought Forward	28,366
Transfer from Surplus on Revaluation of Fixed Assets (net of tax)	27
	28,393
Profit Available for Appropriation	45,066
Appropriations:	
Statutory Reserve	1,667
Final Cash Dividend – December 2011	2,509
Issue of Bonus Shares – December 2011	836
Interim Cash Dividend – March 2012	2,760
Interim Cash Dividend – June 2012	3,680
Total Appropriations	11,452
Un-appropriated Profit Carried Forward	33,614

Performance Review

The Bank has yet again registered remarkable performance as profit before and after tax increased to Rs. 25.459 billion and Rs. 16.673 billion respectively, increasing by 5% and 7% respectively over the corresponding period last year. Net markup income of the Bank decreased by 5% over September 2011 whereas non-markup income increased by 14% to Rs. 6.935 billion. On the operating expenses side, gross administrative expenses (excluding the impact of pension fund reversal) increased by a controlled growth of only 6% over September 2011, whereas provisions significantly decreased by 98% to Rs. 54 million.

The asset base of the Bank grew to Rs. 761.282 billion from Rs. 653.233 billion as at year end 2011. Advances (gross) of the Bank registered a growth of 1% over December 31, 2011, increasing to Rs. 250.722 billion. The classified portfolio of the Bank decreased by 2% owing to effective risk management framework adopted by the Bank, improving the quality of advances with a lower infection ratio of 10.4% from 10.75% as at December 31, 2011. The investment portfolio significantly increased by 31% over December 2011 to Rs. 415.212 billion. The deposit base of the Bank went up by 10%, with 18% and 11% increase reported in saving and current deposits respectively, improving the CASA percentage to 84% from 81% as of December 31, 2011.

Earnings per share (EPS) for the nine months was reported at Rs. 18.13 compared to Rs. 16.87 for the corresponding period last year. Return on assets and return on equity came to 3.14% (2011: 3.18%) and 26.87% (2011: 26.23%).

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, through its notification in June 2012 (2011: Long term: AA+ [double A plus] and Short term: A1+ [A one plus]).



Economy Review

The focus on facilitating the private sector by discouraging government borrowing from the private banks has led to a tremendous lead in cutting up to 150 basis points of the discount rate which was a higher than expected slash given the rate had been maintained repetitively in the previous five announcements by the central bank. The confidence level in the lending strategies however remains on the static road, while the equity market has greatly flourished and touched an all time high during the third quarter by floating on an index above 15,000 throughout. The inflow of remittances remained at comfortable levels with 3.5 billion USD during the first quarter of the new fiscal year while the major repayments to the International Monetary Fund were duly made by the current presidency under the framed schedule. However, maintaining recent monetary easing would be a challenge for the near future and is likely to force the recent discount rate cuts in the opposite direction.

The banking sector continues to remain profitable despite the increased deposit cost however the industry growth in deposits saw a decline during the third quarter of 2012. Industry advances are seen to be growing since the interest structure has been sloping down and attention is now being diverted to private sector growth by the central bank in the recent quarters. Other avenues of non core banking income have been seen to generate positive income levels. Overall, the outlook for the next term is positive subject to continued involvement of the monetary and government authorities on a mutual level.

Future Outlook

Moving forward, unless the adversities are reversed there remains little room for foreign investments and injections in the economy. Main industries have already suffered the loss on part of power shortages and lack of government support. Tax evasion issues, rising deficit, impact of negative parity on exchanges and debt repayments is putting the economy under further strain. Although equity market has performed exceptionally well during the year 2012, necessary measures should be adopted to repose international confidence going forward.

MCB Bank Limited is determined in growth and creating opportunities to strengthen itself further to meet the fore coming challenges. The Bank's focus shall be in product and services innovation, further improvements in quality of services on offer, improved use of technology, strengthening of internal policy and control frameworks and adding value in the economy through its channel of businesses.

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

October, 17, 2012

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

As at September 30, 2012

		Unaudited September 30, 2012	Audited December 31, 2011
	Note	(Rupees in thousand)	
Assets			
Cash and balances with treasury banks		49,879,859	53,122,522
Balances with other banks		2,113,052	2,281,263
Lendings to financial institutions	7	3,308,490	955,087
Investments - net	8	415,211,914	316,651,613
Advances - net	9	228,338,873	225,720,011
Operating fixed assets		23,920,166	22,007,903
Deferred tax assets - net		-	-
Other assets - net		38,510,035	32,494,824
		761,282,389	653,233,223
Liabilities			
Bills payable		8,682,577	9,466,818
Borrowings	10	84,802,273	39,100,627
Deposits and other accounts	11	541,612,567	491,188,710
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	8,487,363	6,294,886
Other liabilities		17,855,963	18,379,700
		661,440,743	564,430,741
Net assets		99,841,646	88,802,482
Represented by			
Share capital		9,198,601	8,362,365
Reserves		43,719,729	42,186,467
Un-appropriated profit		33,614,487	28,366,171
		86,532,817	78,915,003
Surplus on revaluation of assets - net of tax		13,308,829	9,887,479
		99,841,646	88,802,482

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



Dato Seri Ismail Shahudin
Director



S.M. Muneer
Director



Mian Umer Mansha
Director

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

For the nine months period ended September 30, 2012

		Quarter ended September 30, 2012	Nine months ended September 30, 2012	Quarter ended September 30, 2011	Nine months ended September 30, 2011
	Note	(Rupees in thousand)			
Mark-up / return / interest earned		17,410,511	51,902,912	16,771,015	49,613,398
Mark-up / return / interest expensed		7,075,044	20,662,328	6,075,672	16,690,929
Net mark-up / interest income		10,335,467	31,240,584	10,695,343	32,922,469
Provision / (reversal) against loans and advances - net		(326,688)	81,030	248,739	2,488,565
Provision / (reversal) for diminution in the value of investments - net		(19,134)	(27,014)	21,064	217,722
Bad debts written off directly		43	206	25,302	27,595
		(345,779)	54,222	295,105	2,733,882
Net mark-up / interest income after provisions		10,681,246	31,186,362	10,400,238	30,188,587
Non mark-up / interest income					
Fee, commission and brokerage income		1,273,717	4,168,971	1,189,072	3,628,030
Dividend income		164,223	960,948	303,959	655,962
Income from dealing in foreign currencies		191,224	692,509	243,139	729,503
Gain / (loss) on sale of securities - net		(37,774)	686,784	84,983	666,156
Unrealized gain / (loss) on revaluation of investments classified as held for trading		209	-	-	-
Other income		148,333	426,148	102,973	397,098
Total non mark-up / interest income		1,739,932	6,935,360	1,924,126	6,076,749
		12,421,178	38,121,722	12,324,364	36,265,336
Non-mark-up / interest expenses					
Administrative expenses		4,050,922	12,261,148	4,153,240	11,312,410
Other provisions / (reversals)		(4,863)	46,112	3,449	(4,386)
Other charges		175,548	355,687	165,120	792,739
Total non mark-up / interest expenses		4,221,607	12,662,947	4,321,809	12,100,763
		8,199,571	25,458,775	8,002,555	24,164,573
Extra ordinary / unusual item		-	-	-	-
Profit before taxation		8,199,571	25,458,775	8,002,555	24,164,573
Taxation - current period		2,719,947	7,901,987	2,558,603	7,596,635
- prior years		-	116,725	320,000	320,000
- deferred		132,550	767,352	180,287	732,861
		2,852,497	8,786,064	3,058,890	8,649,496
Profit after taxation		5,347,074	16,672,711	4,943,665	15,515,077
Earnings per share - basic and diluted - Rupees	14	5.81	18.13	5.37	16.87

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



M.U.A. Usmani
President / CEO



Dato Seri Ismail Shahudin
Director



S.M. Muneer
Director



Mian Umer Mansha
Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine months period ended September 30, 2012

	Quarter ended September 30, 2012	Nine months ended September 30, 2012	Quarter ended September 30, 2011	Nine months ended September 30, 2011
	(Rupees in thousand)			
Profit after tax for the period	5,347,074	16,672,711	4,943,665	15,515,077
Other comprehensive income				
Effect of translation of net investment in foreign branches	82,141	(134,009)	35,137	77,399
Comprehensive income transferred to equity	5,429,215	16,538,702	4,978,802	15,592,476
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	4,807,486	4,873,317	539,672	371,158
Deferred tax	(1,541,398)	(1,425,126)	(190,476)	(250,916)
	3,266,088	3,448,191	349,196	120,242
Total comprehensive income for the period	8,695,303	19,986,893	5,327,998	15,712,718

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

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For the nine months period ended September 30, 2012

	September 30, 2012	September 30, 2011
	(Rupees in thousand)	
Cash flows from operating activities		
Profit before taxation	25,458,775	24,164,573
Less: Dividend income	(960,948)	(655,962)
	24,497,827	23,508,611
Adjustments for non-cash charges		
Depreciation	956,502	817,614
Amortization	192,799	173,255
Provision against loans and advances - net	81,030	2,488,565
Provision / (reversal) for diminution in the value of investments - net	(27,014)	217,722
Other provisions / (reversals)	46,112	(4,386)
Bad debts written off directly	206	27,595
Gain on disposal of fixed assets - net	(11,662)	(17,220)
	1,237,973	3,703,145
	25,735,800	27,211,756
Increase / (decrease) in operating assets		
Lendings to financial institutions	(2,353,403)	(31,288,268)
Advances - net	(2,700,098)	10,472,987
Other assets - net	(3,619,461)	(1,339,933)
	(8,672,962)	(22,155,214)
Increase / (decrease) in operating liabilities		
Bills payable	(784,241)	(3,585,137)
Borrowings	45,701,646	60,936,067
Deposits and other accounts	50,423,857	51,566,079
Other liabilities	(1,961,618)	(172,475)
	93,379,644	108,744,534
	110,442,482	113,801,076
	(10,391,665)	(11,116,039)
Income tax paid	100,050,817	102,685,037
Net cash flows from operating activities		
Cash flows from investing activities		
Net investments in available-for-sale securities	(94,630,630)	(97,303,977)
Net investments in held-to-maturity securities	1,064,959	1,172,704
Investment in subsidiary company	(94,299)	-
Investment in associated undertaking	-	(52,521)
Dividend income received	868,001	520,103
Investment in operating fixed assets - net of disposal	(3,049,902)	(1,202,192)
Net cash flows from investing activities	(95,841,871)	(96,865,883)
Cash flows from financing activities		
Dividend paid	(7,485,811)	(7,469,520)
Net cash flows from financing activities	(7,485,811)	(7,469,520)
Exchange difference on translation of net investment in foreign branches	(134,009)	77,399
Increase in cash and cash equivalents	(3,410,874)	(1,572,967)
Cash and cash equivalents at beginning of the period	55,403,785	46,885,752
Cash and cash equivalents at end of period	51,992,911	45,312,785

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



M.U.A. Usmani
President / CEO



Dato Seri Ismail Shahudin
Director



S.M. Muneer
Director



Mian Umer Mansha
Director



M.U.A. Usmani
President / CEO



Dato Seri Ismail Shahudin
Director



S.M. Muneer
Director



Mian Umer Mansha
Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2012

	Capital Reserves				Revenue Reserves		Total	
	Share capital	Reserve for issue of bonus shares	Share premium	Exchange translation reserve	Statutory reserve	General reserve		Unappropriated profit
	(Rupees in thousand)							
Balance as at December 31, 2010	7,602,150	-	9,702,528	345,979	11,514,399	18,600,000	21,414,955	69,180,011
Change in equity for nine months ended September 30, 2011								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	26,841	26,841
Exchange differences on translation of net investment in foreign branches	-	-	-	77,399	-	-	-	77,399
Profit after taxation for nine months period ended September 30, 2011	-	-	-	-	-	-	15,515,077	15,515,077
Total comprehensive income for the period ended September 30, 2011	-	-	-	77,399	-	-	15,515,077	15,592,476
Transferred to statutory reserve	-	-	-	-	1,551,508	-	(1,551,508)	-
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)
Interim cash dividend - June 30, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)
Balance as at September 30, 2011	8,362,365	-	9,702,528	423,378	13,065,907	18,600,000	27,347,087	77,501,265
Change in equity for three months ended December 31, 2011								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	8,947	8,947
Exchange differences on translation of net investment in foreign branches	-	-	-	3,671	-	-	-	3,671
Profit after taxation for three months period ended December 31, 2011	-	-	-	-	-	-	3,909,829	3,909,829
Total comprehensive income for the period ended December 31, 2011	-	-	-	3,671	-	-	3,909,829	3,913,500
Transferred to statutory reserve	-	-	-	-	390,983	-	(390,983)	-
Interim cash dividend - September 30, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)
Balance as at December 31, 2011	8,362,365	-	9,702,528	427,049	13,456,890	18,600,000	28,366,171	78,915,003
Change in equity for nine months ended September 30, 2012								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	26,841	26,841
Exchange differences on translation of net investment in foreign branches	-	-	-	(134,009)	-	-	-	(134,009)
Profit after taxation for Nine months period ended September 30, 2012	-	-	-	-	-	-	16,672,711	16,672,711
Total comprehensive income for the period ended September 30, 2012	-	-	-	(134,009)	-	-	16,672,711	16,538,702
Transferred to statutory reserve	-	-	-	-	1,667,271	-	(1,667,271)	-
Transfer to reserve for issue of bonus shares	-	836,236	-	-	-	-	(836,236)	-
Issue of bonus shares - December 31, 2011	836,236	(836,236)	-	-	-	-	-	-
Final cash dividend - December 31, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)
Interim cash dividend - March 31, 2012	-	-	-	-	-	-	(2,759,580)	(2,759,580)
Interim cash dividend - June 30, 2012	-	-	-	-	-	-	(3,679,440)	(3,679,440)
Balance as at September 30, 2012	9,198,601	-	9,702,528	293,040	15,124,161	18,600,000	33,614,487	86,532,817

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



M.U.A. Usmani
President / CEO



Dato Seri Ismail Shahudin
Director



S.M. Muneer
Director



Mian Umer Mansha
Director

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

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 (representing two ordinary equity shares) are traded on the International Order Book system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB 15-Main, Gulberg, Lahore. The Bank operates 1,170 branches including 24 Islamic banking branches (December 31, 2011: 1,165 branches including 22 Islamic banking branches) within Pakistan and 8 (December 31, 2011: 8) 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 No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for 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, 2011.

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.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

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, 2011.

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, 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, 2011.

**September 30, December 31,
2012 2011
(Rupees in thousand)**

7. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	900,000	-
Repurchase agreement lendings	2,408,490	955,087
	<u>3,308,490</u>	<u>955,087</u>

September 30, 2012

Note	Held by bank	Given as collateral	Total
	(Rupees in thousand)		

8 INVESTMENTS - NET

8.1 Investments by types

Held-for-trading securities	-	-	-
Available-for-sale securities	330,701,609	72,478,133	403,179,742
Held-to-maturity securities	7,821,215	68,754	7,889,969
	<u>338,522,824</u>	<u>72,546,887</u>	<u>411,069,711</u>
Associates	1,059,421	-	1,059,421
Subsidiaries	576,507	-	576,507
	<u>1,635,928</u>	<u>-</u>	<u>1,635,928</u>

Investments at cost

Less: Provision for diminution in the value of investments	(2,852,779)	-	(2,852,779)
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Investments (net of provisions)

Surplus on revaluation of available for sale securities - net	5,067,622	291,432	5,359,054
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Investments at revalued amounts - net of provisions	<u>342,373,595</u>	<u>72,838,319</u>	<u>415,211,914</u>
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Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

December 31, 2011

	Held by bank	Given as collateral	Total
	(Rupees in thousand)		

Held-for-trading securities	-	-	-
Available-for-sale securities	284,689,998	24,306,386	308,996,384
Held-to-maturity securities	8,471,928	483,000	8,954,928
	<u>293,161,926</u>	<u>24,789,386</u>	<u>317,951,312</u>
Associates	1,059,421	-	1,059,421
Subsidiaries	482,208	-	482,208
	<u>1,541,629</u>	<u>-</u>	<u>1,541,629</u>
Investments at cost	<u>294,703,555</u>	<u>24,789,386</u>	<u>319,492,941</u>
Less: Provision for diminution in the value of investments	(3,327,065)	-	(3,327,065)
Investments (net of provisions)	<u>291,376,490</u>	<u>24,789,386</u>	<u>316,165,876</u>
Surplus on revaluation of available for sale securities - net	472,254	13,483	485,737
Investments at revalued amounts - net of provisions	<u>291,848,744</u>	<u>24,802,869</u>	<u>316,651,613</u>

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2011: 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, 2011: 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, 2011: Rs. 943.600 million) as at September 30, 2012 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, 2012 amounted to Rs. 2,342.190 million (December 31, 2011: Rs. 1,675.927 million).

**September 30, December 31,
2012 2011
(Rupees in thousand)**

9 ADVANCES - NET

Loans, cash credits, running finances, etc		
- In Pakistan	227,190,014	223,963,444
- Outside Pakistan	11,816,037	10,959,873
	<u>239,006,051</u>	<u>234,923,317</u>

Net Investment in finance lease		
- In Pakistan	1,051,438	1,226,014
- Outside Pakistan	172,124	151,463
	<u>1,223,562</u>	<u>1,377,477</u>

Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	924,153	722,522
- Payable outside Pakistan	9,568,391	11,030,137
	<u>10,492,544</u>	<u>11,752,659</u>

Advances - gross	<u>250,722,157</u>	<u>248,053,453</u>
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Less: Provision against loans and advances		
- Specific provision	(21,955,463)	(21,869,401)
- General provision	(250,722)	(248,135)
- General provision against consumer loans	(154,882)	(198,340)
- General Provision for potential lease losses (in Srilanka Operations)	(22,217)	(17,566)
	<u>(22,383,284)</u>	<u>(22,333,442)</u>

Advances - net of provision	<u>228,338,873</u>	<u>225,720,011</u>
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Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

9.1 Advances include Rs. 26,092.025 million (December 31, 2011: Rs. 26,664.873 million) which have been placed under non-performing status as detailed below:

		September 30, 2012				
		Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification	Note	Domestic	Overseas	Total		
(Rupees in thousand)						
Other Assets Especially Mentioned (OAEM)	9.1.1	15,974	-	15,974	-	-
Substandard		1,815,047	-	1,815,047	451,719	451,719
Doubtful		542,885	3,826	546,711	269,112	269,112
Loss		19,088,902	4,625,391	23,714,293	21,234,632	21,234,632
		<u>21,462,808</u>	<u>4,629,217</u>	<u>26,092,025</u>	<u>21,955,463</u>	<u>21,955,463</u>
		December 31, 2011				
		Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification	Note	Domestic	Overseas	Total		
(Rupees in thousand)						
Other Assets Especially Mentioned (OAEM)	9.1.1	-	-	-	-	-
Substandard		2,036,968	7,857	2,044,825	461,374	461,374
Doubtful		292,466	-	292,466	115,289	115,289
Loss		20,061,976	4,265,606	24,327,582	21,292,738	21,292,738
		<u>22,391,410</u>	<u>4,273,463</u>	<u>26,664,873</u>	<u>21,869,401</u>	<u>21,869,401</u>

9.1.1 This represents non-performing portfolio of agricultural financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural Financing issued by the State Bank of Pakistan.

	September 30, 2012	December 31, 2011
	<u>82,537,659</u>	<u>37,397,843</u>
	<u>2,264,614</u>	<u>1,702,784</u>
	<u>84,802,273</u>	<u>39,100,627</u>

10 BORROWINGS

In Pakistan	82,537,659	37,397,843
Outside Pakistan	2,264,614	1,702,784
	<u>84,802,273</u>	<u>39,100,627</u>

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	5,568,195	9,903,657
Long term financing facility	2,535,129	2,026,175
Long term financing - export oriented products scheme	1,066,314	949,375
Financing Facility for Storage of Agricultural Produce	672,392	219,932
Scheme for Revival of SMEs & Agricultural Activities in Flood Affected Areas	-	450
	<u>9,842,030</u>	<u>13,099,589</u>

Borrowings from other financial institutions	-	293,113
Repurchase agreement borrowings	72,764,384	24,781,254
	<u>72,764,384</u>	<u>25,074,367</u>
	<u>82,606,414</u>	<u>38,173,956</u>

Unsecured

Overdrawn nostro accounts	379,425	110,532
Call borrowings	1,816,434	816,139
	<u>2,195,859</u>	<u>926,671</u>
	<u>84,802,273</u>	<u>39,100,627</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

	September 30, 2012	December 31, 2011
	<u>535,542,761</u>	<u>482,615,225</u>
	<u>4,169,014</u>	<u>6,319,827</u>
	<u>1,900,792</u>	<u>2,253,658</u>
	<u>6,069,806</u>	<u>8,573,485</u>
	<u>541,612,567</u>	<u>491,188,710</u>

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	85,514,805	91,501,846
Savings deposits	266,357,712	225,920,953
Current accounts	180,595,615	161,680,596
Margin accounts	3,074,629	3,511,830
	<u>535,542,761</u>	<u>482,615,225</u>

Financial institutions

Remunerative deposits	4,169,014	6,319,827
Non-remunerative deposits	1,900,792	2,253,658
	<u>6,069,806</u>	<u>8,573,485</u>
	<u>541,612,567</u>	<u>491,188,710</u>

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	768,524	782,977
Accelerated tax depreciation	1,002,999	1,033,028
Receivable from pension fund	5,669,481	5,156,165
Surplus on revaluation of securities	1,474,519	49,393
	<u>8,915,523</u>	<u>7,021,563</u>

Deductible temporary differences on:

Provision for contributory benevolent scheme	-	(5,655)
Provision for post retirement medical benefits	(270,058)	(306,908)
Provision for bad debts	(158,102)	(414,114)
	<u>(428,160)</u>	<u>(726,677)</u>
	<u>8,487,363</u>	<u>6,294,886</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring		
- Government	4,669,036	5,395,819
- Banks and financial institutions	2,009,476	2,552,462
- Others	8,130,360	8,592,290
	<u>14,808,872</u>	<u>16,540,571</u>

13.2 Transaction-related contingent liabilities

Guarantees in favour of:		
- Others	636,977	477,806
Suppliers credit / payee guarantee	2,757,422	2,373,006
	<u>3,394,399</u>	<u>2,850,812</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

	September 30, 2012	December 31, 2011
	(Rupees in thousand)	
13.3 Trade-related contingent liabilities	62,963,895	77,075,699
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	748,673	844,099
13.5 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, 2012	December 31, 2011
	(Rupees in thousand)	
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	23,317,456	32,395,900
Sale	21,573,460	35,030,445
13.7 Commitments for the acquisition of fixed assets	444,437	276,277
13.8 Forward outright purchase of Government Securities	1,300	-
13.9 Forward outright sale of Government Securities	4,001,300	-
13.10 Taxation		

For assessment year 1988-89 through tax year 2011, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs.9,639 million which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. No provision has been made in the financial statements regarding the aforesaid additional tax demand and already issued favourable decisions where the department is in appeal, as the management is of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities.

For tax years 2003 through 2006 and tax year 2011, aggregate liability of Rs. 584 million has been adjudged under section 161 of the Income Tax Ordinance, 2001 on the grounds that Bank failed to deduct applicable withholding tax while making payments on certain accounts. Such liability has not been provided for in these financial statements as Bank's management is of the view that while departmental action for tax years 2003 through 2006 is barred by applicable limitation of time the liability for tax year 2011 has been adjudged on an arbitrary basis.

	September 30, 2012	September 30, 2011
	(Rupees in thousand)	
14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	16,672,711	15,515,077
	Number of shares	
Weighted average number of shares outstanding during the period	919,860,123	919,860,123
	Rupees	
Basic and diluted Earnings per share - after tax	18.13	16.87

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, 2012

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Nine months ended September 30, 2012				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	(Rupees in thousand)				
Total income	78,754	31,114,816	10,052,177	17,592,525	58,838,272
Total expenses	(18,851)	(3,516,415)	(27,063,127)	(2,781,104)	(33,379,497)
Income tax expense	-	-	-	-	(8,786,064)
Net income	59,903	27,598,401	(17,010,950)	14,811,421	16,672,711
Segment assets - (Gross of NPLs Provisions)	-	452,434,267	118,541,253	203,922,935	774,898,455
Advance tax - net of provision	-	-	-	-	8,339,397
Total assets	-	452,434,267	118,541,253	203,922,935	783,237,852
Segment non performing loans	-	-	7,071,892	19,020,133	26,092,025
Segment specific provision required	-	-	5,950,733	16,004,730	21,955,463
Segment liabilities	-	80,840,591	542,745,664	29,367,125	652,953,380
Deferred tax liabilities - net	-	-	-	-	8,487,363
Total liabilities - net	-	80,840,591	542,745,664	29,367,125	661,440,743
Segment return on assets (%)	-	11.92%	11.60%	12.90%	-
Segment cost of fund (%)	-	10.87%	4.46%	5.85%	-

	Nine months ended September 30, 2011				
Total income	77,209	25,049,031	10,026,947	20,536,960	55,690,147
Total expenses	(22,010)	(4,060,638)	(23,446,449)	(3,996,477)	(31,525,574)
Income tax expense	-	-	-	-	(8,649,496)
Net income	55,199	20,988,393	(13,419,502)	16,540,483	15,515,077
Segment assets - (Gross of NPLs provision)	-	362,502,218	117,690,242	221,110,487	701,302,947
Advance tax - net of provision	-	-	-	-	5,733,174
Total assets	-	362,502,218	117,690,242	221,110,487	707,036,121
Segment non performing loans	-	-	6,616,498	19,846,609	26,463,107
Segment specific provision required	-	-	5,378,586	16,133,414	21,512,000
Segment liabilities	-	80,669,859	482,686,407	28,631,197	591,987,463
Deferred tax liabilities - net	-	-	-	-	5,917,796
Total liabilities - net	-	80,669,859	482,686,407	28,631,197	597,905,259
Segment return on assets (%)	-	13.12%	12.22%	13.75%	-
Segment cost of fund (%)	-	12.19%	4.16%	5.95%	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

17 RELATED PARTY TRANSACTIONS
The Bank has related party relationship with its associates, subsidiaries, employee benefit plans and its key management personnel (including their associates). The Bank enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment. Details of transactions with related parties and balances with them as at the period-end were as follows:

	Directors		Associates		Subsidiary companies		Other Related Parties		Key management personnel	
	Nine months ended September 30, 2012	Year ended Dec 31, 2011	Nine months ended September 30, 2012	Year ended Dec 31, 2011	Nine months ended September 30, 2012	Year ended Dec 31, 2011	Nine months ended September 30, 2012	Year ended Dec 31, 2011	Nine months ended September 30, 2012	Year ended Dec 31, 2011
Deposits										
Deposits at beginning of the period / year	4,398,756	2,088,985	766,387	955,014	43,854	77,043	25,393,804	24,677,392	50,178	90,816
Deposits received during the period / year	3,632,894	20,407,681	106,382,015	169,261,154	457,776	986,420	259,046,942	250,452,445	905,115	830,780
Deposits repaid during the period / year	(3,969,956)	(18,097,810)	(106,581,174)	(169,449,781)	(493,904)	(1,019,609)	(258,403,648)	(249,736,033)	(858,456)	(871,418)
Deposits at the end of the period / year	4,061,694	4,398,756	567,228	766,387	7,726	43,854	28,037,098	25,393,804	96,837	50,178
Advance (secured)										
Balance at beginning of the period / year	-	-	-	-	449,729	112,548	81,302	-	49,743	54474
Loan granted during the period / year	-	-	-	-	24,324	337,759	322,871	81,302	12,253	3525
Repayment during the period / year	-	-	-	-	-	(578)	(307,991)	-	(7,146)	(6,256)
Balance at end of the period / year	-	-	-	-	474,053	449,729	96,182	81,302	54,850	49,743
Outstanding Balance of credit cards	164	1,137	-	-	-	-	-	-	1,103	856
Receivable from Pension Fund	-	-	-	-	-	-	16,198,517	14,731,898	-	-
Outstanding commitments and contingent liabilities										
Forward foreign exchange contracts (Notional)	-	-	8,365	8,865	-	-	729,139	-	-	-
Unrealized loss on forward foreign exchange contracts	-	-	-	-	-	-	-	1,913,753	-	-
Trade payable	-	-	7,732	7,317	50,128	16,506	7,258	40,914	-	-
Markup payable	-	-	7,301	15,784	419	921	604,234	1,283,025	285	15,784
Markup Receivable	-	-	-	-	4,450	4,265	1,509	1,701	-	-
Receivable for other expenses	-	-	-	-	-	3,490	-	-	-	-
Commission Receivable	-	-	-	-	18,193	1,924	-	-	-	-
Advance receivable	-	-	-	-	-	-	20,000	20,000	-	-
Investment in Metro-Bank Pakistan Sovereign Fund-Perpetual	-	-	-	-	-	-	4,000,000	4,000,000	-	-
Investment in MCB Dynamic Stock Fund	-	-	-	-	-	-	50,000	-	-	-
Capital injection	-	-	-	52,519	94,299	-	-	-	-	-
Divestment in Khushali Bank Limited	-	-	-	-	-	-	300,000	-	-	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

	Directors		Associates		Subsidiary companies		Other Related Parties		Key management personnel	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Contribution to provident fund	-	-	-	-	-	-	142,495	132,261	-	-
Mark-up expense on deposits	269,828	112,322	47,124	69,748	1,126	854	2,917,293	2,697,088	2,943	2,486
Markup income on advances	-	-	-	-	16,917	9,642	6,858	4,006	2,484	2,515
Insurance premium paid-net of refund	-	-	245,111	273,002	-	-	-	-	-	-
Insurance claim settled	-	-	31,608	44,304	-	-	-	-	-	-
Rent Income	-	-	1,823	3,111	-	-	-	-	-	-
Dividend income	-	-	-	54,051	83,153	69,662	384,677	182,810	-	-
Commission Income from bancassurance	-	-	324,521	211,911	-	-	-	-	-	-
ATM Outsourcing Revenue	-	-	61,479	68,371	-	-	-	-	-	-
Outsourcing service expenses	-	-	-	-	49,490	50,684	-	-	-	-
Payment system managed service revenue (PSM)	-	-	-	-	-	8,699	-	-	-	-
Switch Revenue	-	-	-	-	5,082	5	-	-	-	-
Security guard expenses	-	-	-	-	-	-	190,518	160,758	-	-
Service expenses	-	-	-	-	-	-	13,828	16,120	-	-
Cash sorting expenses	-	-	-	-	-	-	29,705	25,488	-	-
Stationery Expenses	-	-	-	-	-	-	131,587	133,710	-	-
Remuneration and non-executive directors' fee	65,548	59,695	-	-	-	-	-	-	250,248	201,480
Clearing expenses paid to NIFT	-	-	-	-	-	-	87,704	95,217	-	-
Gas Charges	-	-	-	-	-	-	9,601	8,950	-	-
Rent Paid	-	-	-	-	-	-	207	144	-	-
Commission Received	-	-	2,585	2,863	28,192	15,762	346	37	-	-
Reimbursement of expenses	-	-	-	-	5,554	-	-	-	-	-
Other miscellaneous expenses	-	-	-	-	-	-	5,458	4,146	-	-

The Chairman has been provided with free use of the Bank's 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 nine months period ended September 30, 2012

18 ISLAMIC BANKING BUSINESS

The Statement of Financial Position of the Bank's Islamic Banking Branches as at September 30, 2012 is as follows:

	September 30, 2012	December 31, 2011
	(Rupees in thousand)	
Assets		
Cash and balances with treasury banks	295,059	334,398
Investments - net	2,787,556	2,938,706
Financing and receivables		
- Murabaha	5,512,224	4,094,212
- Ijara	85,327	96,146
- Islamic export refinance	253,328	1,420,784
Fixed Assets	1,321,075	1,008,864
Deferred tax assets	-	-
Other assets	3,784,193	3,330,885
	14,038,762	13,223,995
Liabilities		
Bills payable	53,431	45,297
Deposits and other accounts		
- Current accounts	1,125,470	1,022,119
- Saving accounts	2,021,639	1,636,924
- Term deposits	4,731,205	4,565,234
- Others	4,181	81,503
Borrowing from SBP	250,000	1,664,996
Due to head office	4,358,517	2,558,624
Deferred tax liability	4,037	8,182
Other liabilities	423,323	449,518
	12,971,803	12,032,397
Net assets	1,066,959	1,191,598
Represented by:		
Islamic Banking Fund	1,000,000	1,000,000
Other Reserves	69	70
Unappropriated profit	59,393	176,334
	1,059,462	1,176,404
Surplus on revaluation of assets - net of tax	7,497	15,194
	1,066,959	1,191,598
Charity fund		
Opening Balance	782	1,763
Additions during the year		
Received from customers on delayed payments	8,655	1,397
Profit on Charity Saving Account	183	122
	8,838	1,519
Less Distribution of Charity		
Social Welfare	(700)	(1,500)
Health	(625)	(1,000)
Education	-	-
Relief and Disaster Recovery	-	-
	(1,325)	(2,500)
Closing Balance	8,295	782

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

For the nine months period ended September 30, 2012

The profit and loss account of the Bank's Islamic banking Branches for the nine months period ended September 30, 2012 is as follows:

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	(Rupees in thousand)	
Income / return / profit earned	979,039	1,123,674
Income / return / profit expensed	775,849	791,413
Net Income / Profit	203,190	332,261
Provision against loans and advances - net	170	21,302
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	170	21,302
Net profit / income after provisions	203,020	310,959
Other income		
Fees, commission and brokerage income	168,527	63,800
Dividend income	-	-
Income from dealing in foreign currencies	8,113	7,861
Other Income	3,548	2,162
Total other income	180,188	73,823
	383,208	384,782
Other expenses		
Administrative expenses	322,617	227,848
Other provisions / write offs	-	-
Other charges (penalty paid to SBP)	1,196	986
Total other expenses	323,813	228,834
Extra ordinary / unusual items	-	-
Profit before taxation	59,395	155,948
Remuneration to Shariah Advisor / Board	1,458	1,363

19 GENERAL

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

Comparative figures have been reclassified and rearranged in these financial statements for the purpose of comparison.

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 17, 2012 has announced cash dividend in respect of the nine months period ended September 30, 2012 of Rs. 3.00 per share (September 30, 2011: Rs 3.00 per share). These unconsolidated condensed interim financial statements for the nine months period ended September 30, 2012 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 17, 2012.


M.U.A. Usmani
President / CEO


Dato Seri Ismail Shahudin
Director


S.M. Muneer
Director


Mian Umer Mansha
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 September 30, 2012

	Note	Unaudited September 30, 2012 (Rupees in thousand)	Audited December 31, 2011 (Rupees in thousand)
Assets			
Cash and balances with treasury banks		49,879,935	53,122,620
Balances with other banks		2,139,302	2,357,418
Lendings to financial institutions	7	3,308,490	955,087
Investments - net	8	418,509,059	319,005,983
Advances - net	9	228,480,823	225,713,490
Operating fixed assets		24,323,944	22,418,450
Deferred tax assets - net		-	-
Other assets - net		38,725,765	32,751,759
		765,367,318	656,324,807
Liabilities			
Bills payable		8,682,577	9,466,818
Borrowings	10	84,840,569	39,100,627
Deposits and other accounts	11	541,593,522	491,146,798
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	8,740,019	6,497,097
Other liabilities		17,991,250	18,459,162
		661,847,937	564,670,502
Net assets		103,519,381	91,654,305
Represented by			
Share capital		9,198,601	8,362,365
Reserves		43,948,712	42,412,588
Un-appropriated profit		35,777,011	30,259,449
		88,924,324	81,034,402
Minority interest		487,137	492,497
		89,411,461	81,526,899
Surplus on revaluation of assets - net of tax		14,107,920	10,127,406
		103,519,381	91,654,305

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

Dato Seri Ismail Shahudin
Director

S.M. Muneer
Director

Mian Umer Mansha
Director

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

For the nine months period ended September 30, 2012

Note	Quarter ended September 30, 2012	Nine months ended September 30, 2012	Quarter ended September 30, 2011	Nine months ended September 30, 2011
Mark-up / return / interest earned				
	17,440,265	51,967,515	16,793,872	49,657,914
Mark-up / return / interest expensed				
	7,082,994	20,670,431	6,080,588	16,697,012
Net mark-up / interest income				
	10,357,271	31,297,084	10,713,284	32,960,902
Provision / (reversal) against loans and advances - net				
	(326,688)	81,030	248,739	2,488,565
Provision / (reversal) for diminution in the value of investments - net				
	(19,134)	(27,014)	21,064	217,722
Bad debts written off directly				
	43	206	25,302	27,595
	(345,779)	54,222	295,105	2,733,882
Net mark-up / interest income after provisions				
	10,703,050	31,242,862	10,418,179	30,227,020
Non mark-up / interest income				
Fee, commission and brokerage income				
	1,248,126	4,146,857	1,188,699	3,634,424
Income from trustee ship				
	6,349	16,837	4,724	15,281
Dividend income				
	108,788	877,795	303,959	529,702
Income from dealing in foreign currencies				
	191,469	693,362	243,061	732,293
Gain / (loss) on sale of securities - net				
	(219)	713,769	119,473	689,246
Unrealized gain / (loss) on revaluation of investments classified as held for trading				
	(14,514)	20,568	(22,846)	10,436
Other income				
	284,561	782,719	178,216	610,334
Total non mark-up / interest income				
	1,824,560	7,251,907	2,015,286	6,221,716
	12,527,610	38,494,769	12,433,465	36,448,736
Non-mark-up / interest expenses				
Administrative expenses				
	4,127,258	12,512,628	4,208,360	11,534,121
Other provisions / (reversals)				
	(4,863)	46,112	3,449	(4,386)
Other charges				
	175,606	355,745	165,144	793,591
Total non mark-up / interest expenses				
	4,298,001	12,914,485	4,376,953	12,323,326
Share of profit of associates				
	131,125	299,880	(75,885)	139,127
	8,360,734	25,880,164	7,980,627	24,264,537
Extra ordinary / unusual item				
	-	-	-	-
Profit before taxation				
	8,360,734	25,880,164	7,980,627	24,264,537
Taxation - current period				
	2,735,752	7,932,879	2,567,782	7,619,916
- prior years				
	-	116,256	320,000	320,000
- deferred				
	149,904	818,991	190,847	752,931
Share of tax of associates				
	8,503	2,097	1,162	40,976
	2,894,159	8,870,223	3,079,791	8,733,823
Profit after taxation				
	5,466,575	17,009,941	4,900,836	15,530,714
Profit attributable to minority interest				
	(27,048)	(68,187)	(11,902)	(11,544)
Profit attributable to ordinary share holders				
	5,439,527	16,941,754	4,888,934	15,519,170
Earnings per share - basic and diluted - Rupees				
	5.91	18.42	5.31	16.87

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

M.U.A. Usmani
President / CEO

Dato Seri Ismail Shahudin
Director

S.M. Muneer
Director

Mian Umer Mansha
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the nine months period ended September 30, 2012

	Quarter ended September 30, 2012	Nine months ended September 30, 2012	Quarter ended September 30, 2011	Nine months ended September 30, 2011
	(Rupees in thousand)			
Profit after tax for the period	5,466,575	17,009,941	4,900,836	15,530,714
Other comprehensive income				
Effect of translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the bank	82,925	(131,147)	36,008	78,913
- Minority interest	54	144	44	90
	82,979	(131,003)	36,052	79,003
Comprehensive income transferred to equity	5,549,554	16,878,938	4,936,888	15,609,717
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	4,824,386	4,916,028	495,100	375,782
Deferred tax	(1,546,278)	(1,430,006)	(185,587)	(251,389)
	3,278,108	3,486,022	309,513	124,393
Total comprehensive income for the period	8,827,662	20,364,960	5,246,401	15,734,110

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, 2012

	September 30, 2012	September 30, 2011
	(Rupees in thousand)	
Cash flows from operating activities		
Profit before taxation	25,880,164	24,264,537
Less: Dividend income and share of profit of associates	(1,177,675)	(668,829)
	24,702,489	23,595,708
Adjustments for non-cash charges		
Depreciation	956,502	817,614
Amortization	192,799	173,255
Provision against loans and advances - net	81,030	2,488,565
Provision / (reversal) for diminution in the value of investments - net	(27,014)	217,722
Other provisions / (reversals)	46,112	(4,386)
Bad debts written off directly	206	27,595
Unrealized loss on revaluation of investments classified as held for trading	(20,568)	(10,436)
Gain on disposal of fixed assets - net	(11,662)	(17,220)
	1,217,405	3,692,709
	25,919,894	27,288,417
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,353,403)	(31,288,268)
Net investment in held for trading securities	(228,651)	922
Advances - net	(2,848,569)	10,489,513
Other assets - net	(3,594,061)	(1,425,326)
	(9,024,684)	(22,223,159)
Increase / (decrease) in operating liabilities		
Bills payable	(784,241)	(3,585,137)
Borrowings	45,739,942	60,936,067
Deposits and other accounts	50,446,724	51,590,505
Other liabilities	(1,905,793)	(164,052)
	93,496,632	108,777,383
	110,391,842	113,842,641
Income tax paid	(10,407,479)	(11,099,929)
	99,984,363	102,742,712
Net cash flows from operating activities		
Cash flows from investing activities		
Net investments in available-for-sale securities	(94,561,140)	(97,299,354)
Net investments in held-to-maturity securities	1,064,959	1,172,704
Net cash inflow on amalgamation of subsidiary	-	784
Proceeds from issue of shares to minority interest	4,963	-
Investment in associate	-	(52,521)
Dividend income received	784,848	447,894
Investment in operating fixed assets - net of disposal	(3,043,133)	(1,199,867)
	(95,749,503)	(96,930,360)
Net cash flows from investing activities		
Cash flows from financing activities		
Dividend paid	(7,564,658)	(7,469,540)
	(7,564,658)	(7,469,540)
Exchange difference on translation of net investment in foreign branches & subsidiaries	(131,003)	79,003
	(3,460,801)	(1,578,185)
Increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	55,480,038	46,958,782
Cash and cash equivalents at end of period	52,019,237	45,380,597

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



M.U.A. Usmani
President / CEO



Dato Seri Ismail Shahudin
Director



S.M. Muneer
Director



Mian Umer Mansha
Director



M.U.A. Usmani
President / CEO



Dato Seri Ismail Shahudin
Director



S.M. Muneer
Director



Mian Umer Mansha
Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the nine months period ended September 30, 2012

	Share capital	Reserve for issue of bonus shares	Capital Reserves		Revenue Reserves			Minority interest	Total	
			Share premium	Exchange transition reserve	Statutory reserve	General reserve	Unappropriated profit			
(Rupees in thousand)										
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 nine months ended September 30, 2011										
Profit after taxation for nine months period ended September 30, 2011	-	-	-	-	-	-	15,530,714	15,530,714	-	15,530,714
Profit attributable to minority interest	-	-	-	-	-	-	(11,544)	(11,544)	11,544	-
Profit after taxation for six months period ended September 30, 2011 attributable to ordinary share holders of the Group	-	-	-	-	-	-	15,519,170	15,519,170	11,544	15,530,714
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	78,913	-	-	-	78,913	90	79,003
Total comprehensive income for the period ended September 30, 2011	-	-	-	78,913	-	-	15,519,170	15,598,083	11,634	15,609,717
Transferred to statutory reserve	-	-	-	-	1,551,508	-	(1,551,508)	-	-	-
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	28,065	28,065	-	28,065
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	-	-	172,465	-	-	-	-	172,465	563,392	736,857
Minority share on revaluation of assets of subsidiary	-	-	-	-	-	-	-	-	7,528	7,528
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)
Interim cash dividend - June 30, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
Balance as at September 30, 2011	8,362,365	-	9,874,993	426,512	13,065,907	18,600,000	29,395,878	79,725,655	585,232	80,310,887
Change in equity for three months ended December 31, 2011										
Profit after taxation for three months period ended December 31, 2011	-	-	-	-	-	-	3,771,769	3,771,769	-	3,771,769
Profit attributable to minority interest	-	-	-	-	-	-	(16,623)	(16,623)	16,623	-
Profit after taxation for three months period ended December 31, 2011 attributable to ordinary share holders of the Group	-	-	-	-	-	-	3,755,146	3,755,146	16,623	3,771,769
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	4,748	-	-	-	4,748	52	4,800
Total comprehensive income for the period ended December 31, 2011	-	-	-	4,748	-	-	3,755,146	3,759,894	16,675	3,776,569
Transferred to statutory reserve	-	-	-	-	390,983	-	(390,983)	-	-	-
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	8,117	8,117	128	8,245
Adjustment pertaining to additional issue of share capital to minority interest on amalgamation of MCB Assets Management Company Limited with Arif Habib Investments Limited	-	-	49,445	-	-	-	-	49,445	(56,973)	(7,528)
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(52,565)	(52,565)
Interim cash dividend - September 30, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
Balance as at December 31, 2011	8,362,365	-	9,924,438	431,260	13,456,890	18,600,000	30,259,449	81,034,402	492,497	81,526,899
Change in equity for nine months ended September 30, 2012										
Profit after taxation for nine months period ended September 30, 2012	-	-	-	-	-	-	17,009,941	17,009,941	-	17,009,941
Profit attributable to minority interest	-	-	-	-	-	-	(68,187)	(68,187)	68,187	-
Profit after taxation for nine months period ended September 30, 2012 attributable to ordinary share holders of the Group	-	-	-	-	-	-	16,941,754	16,941,754	68,187	17,009,941
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	(131,147)	-	-	-	(131,147)	144	(131,003)
Total comprehensive income for the period ended September 30, 2012	-	-	-	(131,147)	-	-	16,941,754	16,810,607	68,331	16,878,938
Transferred to statutory reserve	-	-	-	-	1,667,271	-	(1,667,271)	-	-	-
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	27,044	27,044	193	27,237
Proceeds from issue of shares to minority interest	-	-	-	-	-	-	-	-	4,963	4,963
Transfer to reserve for issue of bonus shares	-	836,236	-	-	-	-	(836,236)	-	-	-
Issue of bonus shares - December 31, 2011	836,236	(836,236)	-	-	-	-	-	-	-	-
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(78,847)	(78,847)
Final cash dividend - December 31, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
Interim cash dividend - March 31, 2012	-	-	-	-	-	-	(2,759,580)	(2,759,580)	-	(2,759,580)
Interim cash dividend - June 30, 2012	-	-	-	-	-	-	(3,679,440)	(3,679,440)	-	(3,679,440)
Balance as at September 30, 2012	9,198,601	-	9,924,438	300,113	15,124,161	18,600,000	35,777,011	88,924,324	487,137	89,411,461

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

M.U.A. Usmani
President / CEO

Dato Seri Ismail Shahudin
Director

S.M. Muneer
Director

Mian Umer Mansha
Director

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

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
- "MCB Leasing" Closed' Joint Stock Company

"Percentage holding of MCB Bank Limited"

99.99%
99.95%
100.00%
51.32%
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 (representing two ordinary equity shares) are traded on the International Order Book system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB 15-Main, Gulberg, Lahore. The Bank operates 1,170 branches including 24 Islamic banking branches (December 31, 2011: 1,165 branches including 22 Islamic banking branches) within Pakistan and 8 (December 31, 2011: 8) 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, 2012 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 associates. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associates have been accounted for based on the financial statements for the period ended September 30, 2012.

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.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

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 No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for 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, 2011.

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, 2011.

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, 2011.

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, 2011.

	September 30, 2012	December 31, 2011
	(Rupees in thousand)	

7 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	900,000	-
Repurchase agreement lendings	2,408,490	955,087
	<u>3,308,490</u>	<u>955,087</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

Note	September 30, 2012		
	Held by bank	Given as collateral (Rupees in thousand)	Total
8 INVESTMENTS - NET			
8.1 Investments by types			
Held-for-trading securities	590,869	-	590,869
Available-for-sale securities	330,944,381	72,478,133	403,422,514
Held-to-maturity securities	7,821,215	68,754	7,889,969
	<u>339,356,465</u>	<u>72,546,887</u>	<u>411,903,352</u>
Adamjee Insurance Company Limited	3,913,571	-	3,913,571
Euronet Pakistan (Private) Limited	56,332	-	56,332
First Women Bank Limited	63,300	-	63,300
	<u>4,033,203</u>	<u>-</u>	<u>4,033,203</u>
Investments at cost	343,389,668	72,546,887	415,936,555
Less: Provision for diminution in the value of investments	(2,852,779)	-	(2,852,779)
Investments (net of provisions)	340,536,889	72,546,887	413,083,776
Surplus on revaluation of available for sale securities - net	5,113,283	291,432	5,404,715
Deficit on revaluation of held for trading securities - net	20,568	-	20,568
Investments at revalued amounts - net of provisions	<u>345,670,740</u>	<u>72,838,319</u>	<u>418,509,059</u>
	December 31, 2011		
	Held by bank	Given as collateral (Rupees in thousand)	Total
Held-for-trading securities	345,602	-	345,602
Available-for-sale securities	285,002,260	24,306,386	309,308,646
Held-to-maturity securities	8,471,928	483,000	8,954,928
	<u>293,819,790</u>	<u>24,789,386</u>	<u>318,609,176</u>
Adamjee Insurance Company Limited	3,101,352	-	3,101,352
Euronet Pakistan (Private) Limited	53,917	-	53,917
First Women Bank Limited	63,300	-	63,300
	<u>3,218,569</u>	<u>-</u>	<u>3,218,569</u>
Investments at cost	297,038,359	24,789,386	321,827,745
Less: Provision for diminution in the value of investments	(3,327,065)	-	(3,327,065)
Investments (net of provisions)	293,711,294	24,789,386	318,500,680
Surplus on revaluation of available for sale securities - net	475,204	13,483	488,687
Gain on revaluation of held-for-trading securities - net	16,616	-	16,616
Investments at revalued amounts - net of provisions	<u>294,203,114</u>	<u>24,802,869</u>	<u>319,005,983</u>

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2011: 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, 2011: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

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, 2012 amounted to Rs. 2,342.190 million (December 31, 2011: Rs. 1,675.927 million).

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

	September 30, 2012	December 31, 2011
	(Rupees in thousand)	
Opening Balance	3,101,352	3,703,265
Share of profit / (loss) for the period / year before tax	297,110	(73,069)
Dividend from associate	-	(90,084)
Share of tax	(1,742)	71,214
	295,368	(91,939)
Share of unrealized surplus on assets -net of tax	516,851	(509,974)
Closing Balance	3,913,571	3,101,352

8.4 Investment of the Group 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%

	September 30, 2012	December 31, 2011
	(Rupees in thousand)	
Opening balance	53,917	-
Investment made during the year	-	52,521
Share of profit for the period / year before tax	2,770	1,562
Share of tax	(355)	(166)
	2,415	1,396
Closing Balance	56,332	53,917

8.5 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.

9 ADVANCES - NET

	September 30, 2012	December 31, 2011
	(Rupees in thousand)	
Loans, cash credits, running finances, etc		
- In Pakistan	227,190,014	223,963,444
- Outside Pakistan	11,341,985	10,511,019
	238,531,999	234,474,463
Net Investment in finance lease		
- In Pakistan	1,051,438	1,226,014
- Outside Pakistan	788,126	593,796
	1,839,564	1,819,810
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	924,153	722,522
- Payable outside Pakistan	9,568,391	11,030,137
	10,492,544	11,752,659
Advances - gross	250,864,107	248,046,932
Less: Provision against loans and advances		
- Specific provision	(21,955,463)	(21,869,401)
- General provision	(250,722)	(248,135)
- General provision against consumer loans	(154,882)	(198,340)
- General Provision for potential lease losses (in Sri Lanka Operations)	(22,217)	(17,566)
	(22,383,284)	(22,333,442)
Advances - net of provision	228,480,823	225,713,490

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

9.1 Advances include Rs. 26,092.025 million (December 31, 2011: Rs. 26,664.873 million) which have been placed under non-performing status as detailed below:

		September 30, 2012			Specific Provision Required	Specific Provision Held
		Classified Advances				
Category of Classification	Note	Domestic	Overseas	Total	(Rupees in thousand)	
Other Assets Especially Mentioned (OAEM)	9.1.1	15,974	-	15,974	-	-
Substandard		1,815,047	-	1,815,047	451,719	451,719
Doubtful		542,885	3,826	546,711	269,112	269,112
Loss		19,088,902	4,625,391	23,714,293	21,234,632	21,234,632
		21,462,808	4,629,217	26,092,025	21,955,463	21,955,463

		December 31, 2011			Specific Provision Required	Specific Provision Held
		Classified Advances				
Category of Classification	Note	Domestic	Overseas	Total	(Rupees in thousand)	
Other Assets Especially Mentioned (OAEM)	9.1.1	-	-	-	-	-
Substandard		2,036,968	7,857	2,044,825	461,374	461,374
Doubtful		292,466	-	292,466	115,289	115,289
Loss		20,061,976	4,265,606	24,327,582	21,292,738	21,292,738
		22,391,410	4,273,463	26,664,873	21,869,401	21,869,401

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, 2012	December 31, 2011
	(Rupees in thousand)	
In Pakistan	82,537,659	37,397,843
Outside Pakistan	2,302,910	1,702,784
	84,840,569	39,100,627

10.1 Details of borrowings (secured / unsecured)

		September 30, 2012	December 31, 2011
		(Rupees in thousand)	
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme		5,568,195	9,903,657
Long term financing facility		2,535,129	2,026,175
Long term financing - export oriented products scheme		1,066,314	949,375
Financing Facility for Storage of Agricultural Produce		672,392	219,932
Scheme for Revival of SMEs & Agricultural Activities in Flood Affected Areas		-	450
		9,842,030	13,099,589
Borrowings from other financial institutions			
Repurchase agreement borrowings		38,296	293,113
		72,764,384	24,781,254
		72,802,680	25,074,367
		82,644,710	38,173,956
Unsecured			
Overdrawn nostro accounts		379,425	110,532
Call borrowings		1,816,434	816,139
		2,195,859	926,671
		84,840,569	39,100,627

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

September 30, 2012 December 31, 2011
(Rupees in thousand)

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	85,514,805	91,476,846
Savings deposits	266,345,851	225,916,109
Current accounts	180,588,431	161,668,528
Margin accounts	3,074,629	3,511,830
	<u>535,523,716</u>	<u>482,573,313</u>

Financial institutions

Remunerative deposits	4,169,014	6,319,827
Non-remunerative deposits	1,900,792	2,253,658
	<u>6,069,806</u>	<u>8,573,485</u>
	<u>541,593,522</u>	<u>491,146,798</u>

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	783,870	788,352
Accelerated tax depreciation	1,028,347	1,057,564
Receivable from pension fund	5,669,481	5,156,165
Investments in associates	222,675	193,138
Surplus on revaluation of securities	1,479,399	49,393
Others	-	10,219
	<u>9,183,772</u>	<u>7,254,831</u>

Deductible temporary differences on:

Provision for contributory benevolent scheme	-	(5,656)
Provision for post retirement medical benefits	(270,058)	(306,908)
Provision for gratuity	(1,019)	(1,019)
Taxable losses	(14,252)	(29,715)
Provision for bad debts	(158,424)	(414,436)
	<u>(443,753)</u>	<u>(757,734)</u>
	<u>8,740,019</u>	<u>6,497,097</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring

- Government	4,669,036	5,395,819
- Banks and financial institutions	2,009,476	2,552,462
- Others	8,130,360	8,592,290
	<u>14,808,872</u>	<u>16,540,571</u>

13.2 Transaction-related contingent liabilities

Guarantees in favour of:

- Others	636,977	477,806
Suppliers credit / payee guarantee	2,757,422	2,373,006
	<u>3,394,399</u>	<u>2,850,812</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

September 30, 2012 December 31, 2011
(Rupees in thousand)

13.3 Trade-related contingent liabilities

	<u>62,963,895</u>	<u>77,075,699</u>
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13.4 Other contingencies

Claims against the Bank not acknowledged as debts

	<u>748,673</u>	<u>844,099</u>
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13.5 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, 2012 December 31, 2011
(Rupees in thousand)

13.6 Commitments in respect of forward foreign exchange contracts

Purchase	<u>23,317,456</u>	<u>32,395,900</u>
Sale	<u>21,573,460</u>	<u>35,030,445</u>

13.7 Commitments for the acquisition of fixed assets

	<u>444,437</u>	<u>276,277</u>
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13.8 Forward outright purchase of Government Securities

	<u>1,300</u>	<u>-</u>
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13.9 Forward outright sale of Government Securities

	<u>4,001,300</u>	<u>-</u>
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13.10 Taxation

For assessment year 1988-89 through tax year 2011, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs.9,639 million which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance / deducted at source.

The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. No provision has been made in the financial statements regarding the aforesaid additional tax demand and already issued favourable decisions where the department is in appeal, as the management is of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities.

For tax years 2003 through 2006 and tax year 2011, aggregate liability of Rs. 584 million has been adjudged under section 161 of the Income Tax Ordinance, 2001 on the grounds that Bank failed to deduct applicable withholding tax while making payments on certain accounts. Such liability has not been provided for in these financial statements as Bank's management is of the view that while departmental action for tax years 2003 through 2006 is barred by applicable limitation of time, the liability for tax year 2011 has been adjudged on an arbitrary basis.

14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

Profit after taxation	<u>16,941,754</u>	<u>15,519,170</u>
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Weighted average number of shares outstanding during the period

	<u>919,860,123</u>	<u>919,860,123</u>
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Basic and diluted Earnings per share - after tax

	<u>18.42</u>	<u>16.87</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 Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Nine months ended September 30, 2012						
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination	Total
	(Rupees in thousand)						
Total income	98,064	31,233,451	10,138,539	17,741,579	374,245	(66,576)	59,519,302
Total expenses	(34,341)	(3,554,933)	(27,095,107)	(2,835,684)	(185,649)	66,576	(33,639,138)
Income tax expense	-	-	-	-	-	-	(8,870,223)
Net income	63,723	27,678,518	(16,956,568)	14,905,895	188,596	-	17,009,941
Segment assets - (Gross of NPLs Provisions)	55,509	454,653,149	119,109,742	204,844,359	1,478,806	(1,142,376)	778,999,189
Advance tax - net of provision	-	-	-	-	-	-	8,323,592
Total assets	55,509	454,653,149	119,109,742	204,844,359	1,478,806	(1,142,376)	787,322,781
Segment non performing loans	-	-	7,071,892	19,020,133	-	-	26,092,025
Segment specific provision required	-	-	5,950,733	16,004,730	-	-	21,955,463
Segment liabilities	12,093	81,471,563	542,903,889	29,631,346	231,403	(1,142,376)	653,107,918
Deferred tax liabilities - net	-	-	-	-	-	-	8,740,019
Total liabilities - net	12,093	81,471,563	542,903,889	29,631,346	231,403	(1,142,376)	661,847,937
Segment return on assets (%)	-	11.92%	11.60%	12.90%	25.31%	-	-
Segment cost of fund (%)	-	10.87%	4.46%	5.85%	-	-	-
	Nine months ended September 30, 2011						
Total income	94,983	25,010,386	10,081,974	20,645,243	255,265	(69,094)	56,018,757
Total expenses	(38,500)	(4,078,352)	(23,478,838)	(4,062,334)	(165,290)	69,094	(31,754,220)
Income tax expense	-	-	-	-	-	-	(8,733,823)
Net income	56,483	20,932,034	(13,396,864)	16,582,909	89,975	-	15,530,714
Segment assets - (Gross of NPLs provision)	65,001	364,120,148	118,225,552	222,093,138	1,345,934	(1,042,805)	704,806,968
Advance tax - net of provision	-	-	-	-	-	-	5,723,995
Total assets	65,001	364,120,148	118,225,552	222,093,138	1,345,934	(1,042,805)	710,530,963
Segment non performing loans	-	-	6,616,498	19,846,609	-	-	26,463,107
Segment specific provision required	-	-	5,378,586	16,133,414	-	-	21,512,000
Segment liabilities	2,290	81,197,913	482,852,040	28,934,017	42,840	(1,042,805)	591,986,295
Deferred tax liabilities - net	-	-	-	-	-	-	6,106,268
Total liabilities - net	2,290	81,197,913	482,852,040	28,934,017	42,840	(1,042,805)	598,092,563
Segment return on assets (%)	-	13.12%	12.22%	13.75%	25.29%	-	-
Segment cost of fund (%)	-	12.19%	4.16%	5.95%	-	-	-

17 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, employee benefit plans and its key management personnel (including their associates) and companies with common directors. The Group enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	Directors		Associates		Other Related Parties		Key management personnel	
	Nine months ended September 30, 2012	Year ended Dec 31, 2011	Nine months ended September 30, 2012	Year ended Dec 31, 2011	Nine months ended September 30, 2012	Year ended Dec 31, 2011	Nine months ended September 30, 2012	Year ended Dec 31, 2011
	(Rupees in thousand)							
Deposits								
Deposits at beginning of the period / year	4,398,756	2,088,985	766,387	955,014	25,393,804	24,677,392	50,178	90,816
Deposits received during the period / year	3,632,894	20,407,581	106,382,015	169,261,154	259,046,942	250,452,445	905,115	830,780
Deposits repaid during the period / year	(3,969,956)	(18,097,810)	(106,581,174)	(169,449,781)	(256,403,648)	(249,736,033)	(858,456)	(871,418)
Deposits at the end of the period / year	4,061,694	4,398,756	567,228	766,387	28,037,098	25,393,804	96,837	50,178
Advances (secured)								
Balance at beginning of the period / year	-	-	-	-	81,302	81,302	49,743	54,474
Loan granted during the period / year	-	-	-	-	322,871	81,302	12,253	3525
Repayment during the period / year	-	-	-	-	(307,991)	-	(7,146)	(8,256)
Balance at end of the period / year	164	1,137	-	-	96,182	81,302	54,850	49,743
Outstanding Balance of credit cards								
Balance at beginning of the period / year	-	-	-	-	-	-	1,103	856
Balance at end of the period / year	-	-	-	-	-	-	-	-
Receivable from Pension Fund								
Balance at beginning of the period / year	-	-	-	-	16,198,517	14,731,898	-	-
Balance at end of the period / year	-	-	-	-	16,198,517	14,731,898	-	-
Outstanding commitments and contingent liabilities								
Forward foreign exchange contracts (Notional)	-	-	8,865	8,865	-	-	-	-
Unrealized loss on forward foreign exchange contracts	-	-	-	-	729,139	1,913,753	-	-
Trade payable	-	-	-	-	-	40,914	-	-
Markup payable	-	-	7,792	7,317	7,258	1,255	-	-
Markup Receivable	-	-	7,301	15,784	604,234	1,283,025	265	15,784
Advance receivable	-	-	-	-	1,509	1,701	-	-
Investment in Metro-Bank Pakistan Sovereign Fund-Perpetual	-	-	-	-	20,000	20,000	-	-
Investment in MCB Dynamic Stock Fund	-	-	-	-	4,000,000	4,000,000	-	-
Capital injection	-	-	-	52,519	50,000	-	-	-
Divestment in Khushhali Bank Limited	-	-	-	-	300,000	-	-	-
Contribution to provident fund	-	-	-	-	142,495	132,261	-	-
Mark-up expense on deposits	269,828	112,322	47,124	69,748	2,917,293	2,687,088	2,943	2,486

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the nine months period ended September 30, 2012

	Directors		Associates		Other Related Parties		Key management personnel	
	September 30, 2012	September 30 / December 31, 2011	September 30, 2012	September 30 / December 31, 2011	September 30, 2012	September 30 / December 31, 2011	September 30, 2012	September 30 / December 31, 2011
Markup income on advances	-	-	-	-	4,006	-	2,484	2,515
Insurance premium paid-net of refund	-	-	273,002	-	-	-	-	-
Insurance claim settled	-	-	44,304	-	-	-	-	-
Rent Income	-	-	3,111	-	-	-	-	-
Dividend income	-	-	54,051	-	182,810	-	-	-
Commission income from bancassurance	-	-	211,911	-	-	-	-	-
ATM Outsourcing Revenue	-	-	68,371	-	-	-	-	-
Security guard expenses	-	-	-	190,518	-	-	-	-
Service expenses	-	-	-	13,828	-	-	-	-
Cash sorting expenses	-	-	-	29,705	-	-	-	-
Stationery Expenses	-	-	-	131,597	-	-	-	-
Remuneration and non-executive directors' fee	65,548	59,695	-	-	-	-	250,248	201,480
Clearing expenses paid to NIFT	-	-	-	-	-	-	-	-
Gas Charges	-	-	-	87,704	-	-	-	-
Rent Paid	-	-	-	9,601	-	-	-	-
Commission Received	-	-	2,863	-	-	-	-	-
Other miscellaneous expenses	-	-	-	5,458	-	-	-	-

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 nine months period ended September 30, 2012

18 ISLAMIC BANKING BUSINESS

The Statement of Financial Position of the Bank's Islamic Banking Branches as at September 30, 2012 is as follows:

	September 30, 2012	December 31, 2011
(Rupees in thousand)		
Assets		
Cash and balances with treasury banks	295,059	334,398
Investments - net	2,787,556	2,938,706
Financing and receivables		
- Murabaha	5,512,224	4,094,212
- Ijara	85,327	96,146
- Islamic export refinance	253,328	1,420,784
Fixed Assets	1,321,075	1,008,864
Deferred tax assets	-	-
Other assets	3,784,193	3,330,885
	14,038,762	13,223,995
Liabilities		
Bills payable	53,431	45,297
Deposits and other accounts		
- Current accounts	1,125,470	1,022,119
- Saving accounts	2,021,639	1,636,924
- Term deposits	4,731,205	4,565,234
- Others	4,181	81,503
Borrowing from SBP	250,000	1,664,996
Due to head office	4,358,517	2,558,624
Deferred tax liability	4,037	8,182
Other liabilities	423,323	449,518
	12,971,803	12,032,397
	1,066,959	1,191,598
Net assets		
Represented by:		
Islamic Banking Fund	1,000,000	1,000,000
Other Reserves	69	70
Unappropriated profit	59,393	176,334
	1,059,462	1,176,404
Surplus on revaluation of assets - net of tax	7,497	15,194
	1,066,959	1,191,598
Charity fund		
Opening Balance	782	1,763
Additions during the year		
Received from customers on delayed payments	8,655	1,397
Profit on Charity Saving Account	183	122
	8,838	1,519
Less Distribution of Charity		
Social Welfare	(700)	(1,500)
Health	(625)	(1,000)
Education	-	-
Relief and Disaster Recovery	-	-
	(1,325)	(2,500)
Closing Balance	8,295	782

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

For the nine months period ended September 30, 2012

The profit and loss account of the Bank's Islamic banking Branches for the nine months period ended September 30, 2012 is as follows:

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	(Rupees in thousand)	
Income / return / profit earned	979,039	1,123,674
Income / return / profit expensed	775,849	791,413
Net Income / Profit	203,190	332,261
Provision against loans and advances - net	170	21,302
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	170	21,302
Net profit / income after provisions	203,020	310,959
Other income		
Fees, commission and brokerage income	168,527	63,800
Dividend income	-	-
Income from dealing in foreign currencies	8,113	7,861
Other Income	3,548	2,162
Total other income	180,188	73,823
	383,208	384,782
Other expenses		
Administrative expenses	322,617	227,848
Other provisions / write offs	-	-
Other charges (penalty paid to SBP)	1,196	986
Total other expenses	323,813	228,834
Extra ordinary / unusual items	-	-
Profit before taxation	59,395	155,948
Remuneration to Shariah Advisor / Board	1,458	1,363

19 GENERAL

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

Comparative figures have been reclassified and rearranged in these financial statements for the purpose of comparison.

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on October 17, 2012 has announced cash dividend in respect of the nine months period ended September 30, 2012 of Rs. 3.00 per share (September 30, 2011: Rs 3.00 per share). These consolidated condensed interim financial statements for the nine months period ended September 30, 2012 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 17, 2012.



M.U.A. Usmani
President / CEO



Dato Seri Ismail Shahudin
Director



S.M. Muneer
Director



Mian Umer Mansha
Director