



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 AAA (Triple A)
Short-Term A1+(A one plus)
By PACRA

CORPORATE PROFILE

BOARD OF DIRECTORS:

Mian Mohammad Mansha	Chairman
S. M. Muneer	Vice Chairman
Tariq Rafi	Director
Shahzad Saleem	Director
Sarmad Amin	Director
Aftab Ahmad Khan	Director
Mian Raza Mansha	Director
Mian Umer Mansha	Director
Dato' Seri Ismail Shahudin	Director
Ahmad Alman Aslam	Director
Muhammad Ali Zeb	Director
Mohd Suhail Amar Suresh	Director
Imran Maqbool	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:	Syed Mudassar Hussain Naqvi
Auditors:	M/s. A. F. Ferguson & Co. Chartered Accountants
Legal Advisors:	M/s. Khalid Anwer & Co. Advocates & Legal Consultants
Principal/Registered Office:	MCB, 15-Main Gulberg Jail Road, Lahore Pakistan
Registrar's and Share Registration Office (s):	Head Office: M/s. THK Associates (Pvt.) Ltd State Life Building No.3 Dr. Ziauddin Ahmed Road, Karachi, Pakistan. Branch Office: M/s. THK Associates (Pvt.) Ltd 2nd Floor, DYL Motorcycles Ltd, Office Building Plot No. 346, Block No. G-III Khokhar Chowk, Main Boulevard, Johar Town, Lahore Pakistan.

DIRECTORS' REPORT - MARCH 2014

I am pleased to place before you, on behalf of the Board of Directors, the financial statements of MCB Bank Limited for the quarter ended March 31, 2014;

Financial Highlights

Profit Before Taxation

Taxation

Profit After Taxation

Un-appropriated Profit Brought Forward

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

Profit Available for Appropriation

Appropriations:

Statutory Reserve

Issue of Bonus Shares–December 2013

Final Cash Dividend–December 2013

Total Appropriations

Un-appropriated Profit Carried Forward

	Rs. in Million
Profit Before Taxation	8,356
Taxation	2,844
Profit After Taxation	5,512
Un-appropriated Profit Brought Forward	40,552
Transfer from Surplus on Revaluation of Fixed Assets (net of tax)	12
Profit Available for Appropriation	40,564
Appropriations:	46,076
Statutory Reserve	551
Issue of Bonus Shares–December 2013	1,012
Final Cash Dividend–December 2013	3,542
Total Appropriations	5,105
Un-appropriated Profit Carried Forward	40,971

Performance Review

From a financial performance perspective, the Bank registered improvement in net fund based income and non-markup income block. This was achieved through effective management of the asset book, focusing on the right opportunities in an era of compressed net interest margins. The quarter under review recorded a shift in the investment concentration levels which would have a positive impact on profitability moving forward. For the quarter ended March 31, 2014, the Bank posted profit before and after tax to Rs. 8.356 billion and Rs. 5.512 billion respectively.

The gross markup income of the Bank registered an increase of 7% over corresponding period last year, which was mainly contributed by income earned on investment portfolio. The Bank increased its non-markup income base by 17%, being a strategic focused avenue for the Bank. This substantial growth was fueled by “income from dealing in foreign currencies” which grew by 196% over March 2013. On the gross administrative expenses side, the Bank registered an increase of 12% over corresponding period last year. Considering the growth in operational infrastructure of the Bank, coupled with inflationary surge, the reported increase in administrative expenses falls within the defined budgetary levels. The significant reversal in provision charge is reflective of the prudent and aggressive provision strategy coupled with the refined risk management framework adopted by the Bank.

On the financial position side, the asset base was reported at an all-time high of Rs. 827.252 billion which increased by 1% over December 31, 2013. The analysis of asset mix highlights increase in net investments of Rs. 13.142 billion, whereas net advances grew by Rs. 4.940 billion over December 2013 numbers. The non-performing loan (NPL) base of the Bank followed the trajectory set over the last few quarters and registered a decrease of Rs. 753 million over December 31, 2013. The contraction has been primarily observed in the loss categorized advances which went down by Rs. 823 million based on cash recoveries / settlements executed. With reference to the concentration of NPLs, 92.10% of the total base is categorized in the “loss” category for which 100% provision is held after deducting liquid security benefit, signifying the adequacy of provisioning held in the books of the Bank. The coverage ratio of the Bank was reported at 85.6% with infection ratio improving to 8.26%, primarily on account of significant decrease in NPL base.

Moving on to the liabilities side, the deposit base of the Bank recorded a decrease of 1% over December 2013. The Bank continued with its strategy of shifting its base to low cost current and saving accounts, with CASA reported at an all-time high of 91%. Major decrease of 15% was recorded in term deposits of approximately Rs. 10 billion.

Earnings per share (EPS) for the period came to Rs. 4.95 as compared to Rs. 5.18 for March 31, 2013. Return on assets of the Bank was reported at 2.68%, return on equity at 22.44% with book value per share improving to Rs. 89.15.

The Board of Directors declared cash dividend of Rs. 3.00 per share for the period ended March 31, 2014.

Ratings

PACRA has upgraded the long term credit rating of the Bank to AAA [triple A] and maintained the short term credit rating of A1+ [A one plus], through its notification dated February 4, 2013 (Previous: Long term: AA+ [double A plus] and Short term: A1+ [A one plus]).

Economy Review

Most of the Pakistan's major economic indicators moved in the positive direction during the first quarter of 2014. Fiscal deficit has been contained at 3.2% of GDP during the first 9 months of the fiscal year. Growth in Large Scale manufacturing (LSM) remained robust while credit to private sector also increased during the first quarter 2014. Pakistan also successfully completed the 2nd IMF review meeting under the Extended Fund Facility (EFF). The lending agency commended and expressed satisfaction over the country's economic performance since entering the EFF program.

Increase in Pakistan's foreign exchange reserves is the highlight of the quarter. Reserves held by State Bank of Pakistan (SBP), a key source of concern for some time, jumped from \$3.4 billion to \$5.3 billion on the back of \$1.5 billion grant, timely materialization of Coalition Support Fund (CSF) and payment of \$550 million (3rd tranche) by IMF. This led to an increase in confidence of FX markets in PKR as the USD-PKR rate moved from 105.60 in January 2014 to 98.04 in March 2014 depicting an appreciation of 7.15%. The influx of US dollars has also helped alleviate pressure from balance of payments. Although, structural reforms are required to address deeper weakness in balance of payments as one-off payments can only provide short-term stability.

Moreover, positive sentiments prevailing in the market saw inflationary pressures recede. Consumer Price Index (CPI) dropped from the 18 month high of 10.90% in November 2013 to 7.93% in February 2014. The Pakistan's equity market maintained its status as one of the best performing in the world with gains of over 6.5% during Q1 2014. The confidence in the economy seems to rebound. However, despite these positive developments in the economic variables, the economy still faces many challenges which prompted the SBP to maintain its discount rate at 10% during the first quarter of 2014.

Future Outlook

Paving the way for economic development, it can be demonstrated that steps have been taken in the right direction by the Government. However, key challenges in the shape of energy, law and order situation and tax reforms are still to be worked on. With the budgetary planning underway for the next financial year, focus should be on avenues providing relief on the fiscal front. The confidence shown by foreign investors has to be taken to the next level to present the country as a land of potential investment opportunities.

MCB Bank Limited remains committed in providing the most optimal banking services to its customers while tapping the unbanked segment of the population. Despite the challenges posed, the Bank remains focused on capitalizing on its strengths and every possible opportunity falling within the risk appetite of the Bank.

Acknowledgement

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

on behalf of Directors



Mian Mohammad Mansha
Chairman

April 22, 2014

Unconsolidated Condensed Interim Statement of Financial Position

As at March 31, 2014

	Note	Unaudited March 31, 2014	Audited December 31, 2013
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		53,794,955	59,946,150
Balances with other banks		1,832,720	1,536,946
Lendings to financial institutions	7	1,527,730	1,224,638
Investments - net	8	462,147,881	449,006,019
Advances - net	9	253,182,594	248,242,965
Operating fixed assets		28,856,125	28,595,338
Deferred tax assets - net		-	-
Other assets - net		25,909,743	26,956,315
		827,251,748	815,508,371
Liabilities			
Bills payable		8,299,824	10,138,726
Borrowings	10	48,755,420	38,542,660
Deposits and other accounts	11	627,143,643	632,330,286
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	4,863,180	4,201,373
Other liabilities		24,639,382	20,064,345
		713,701,449	705,277,390
Net assets		113,550,299	110,230,981
Represented by:			
Share capital		11,130,307	10,118,461
Reserves		47,123,830	46,601,214
Un-appropriated profit		40,971,397	40,552,043
		99,225,534	97,271,718
Surplus on revaluation of assets - net of tax		14,324,765	12,959,263
		113,550,299	110,230,981

Contingencies and commitments

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



Imran Maqbool
President / CEO



S.M. Muneer
Director



Mian Umer Mansha
Director



Muhammad Ali Zeb
Director

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

For the three months period ended March 31, 2014

Note	Quarter ended March 31, 2014	Quarter ended March 31, 2013
----- (Rupees in '000) -----		
Mark-up / return / interest earned	17,934,906	16,715,285
Mark-up / return / interest expensed	7,921,024	6,992,597
Net mark-up / interest income	10,013,882	9,722,688
Provision / (reversal) against loans and advances - net	(552,861)	(810,931)
Provision / (reversal) for diminution in the value of investments - net	(30,477)	(29,477)
Bad debts written off directly	-	-
	(583,338)	(840,408)
Net mark-up / interest income after provisions	10,597,220	10,563,096
Non mark-up / interest income		
Fee, commission and brokerage income	1,684,912	1,527,347
Dividend income	277,519	377,690
Income from dealing in foreign currencies	416,423	140,566
Gain on sale of securities - net	254,379	205,648
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	(932)
Other income	107,255	100,084
Total non mark-up / interest income	2,740,488	2,350,403
	13,337,708	12,913,499
Non-mark-up / interest expenses		
Administrative expenses	4,805,190	4,038,115
Other provisions / (reversals)	(4,390)	10,180
Other charges	180,816	187,944
Total non mark-up / interest expenses	4,981,616	4,236,239
	8,356,092	8,677,260
Extraordinary / unusual item	-	-
Profit before taxation	8,356,092	8,677,260
Taxation - current period	2,832,643	2,860,776
- prior years	-	-
- deferred	11,500	48,533
	2,844,143	2,909,309
Profit after taxation	5,511,949	5,767,951
Earnings per share - basic and diluted - Rupees	4.95	5.18

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



Imran Maqbool
President / CEO



S.M. Muneer
Director



Mian Umer Mansha
Director



Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the three months period ended March 31, 2014

	Quarter ended March 31, 2014	Quarter ended March 31, 2013
	----- (Rupees in '000) -----	
Profit after tax for the period	5,511,949	5,767,951
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans - net of tax	-	69,619
Items that may be reclassified to profit and loss account		
Effect of translation of net investment in foreign branches	(28,579)	59,827
Comprehensive income transferred to equity	5,483,370	5,897,397
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	2,027,717	(1,858,991)
Deferred tax	(650,308)	570,619
	1,377,409	(1,288,372)
Total comprehensive income for the period	6,860,779	4,609,025

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


Imran Maqbool
President / CEO


S.M. Muneer
Director


Mian Umer Mansha
Director


Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For the three months period ended March 31, 2014

	March 31, 2014	March 31, 2013
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	8,356,092	8,677,260
Less: Dividend income	(277,519)	(377,690)
	8,078,573	8,299,570
Adjustments for:		
Depreciation	394,157	358,390
Amortization	69,198	67,759
Provision / (reversal) against loans and advances - net	(552,861)	(810,931)
Provision / (reversal) for diminution in the value of investments - net	(30,477)	(29,477)
Other provisions / (reversals)	(4,390)	10,180
Provision for Workers' Welfare Fund	167,122	173,545
Remeasurement of defined benefit plans	-	107,106
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	932
Gain on disposal of fixed assets	(6,572)	(2,786)
	36,177	(125,282)
	8,114,750	8,174,288
(Increase) / decrease in operating assets		
Lendings to financial institutions	(303,092)	1,176,918
Net investment in held for trading securities	-	(42,343)
Advances - net	(4,386,768)	10,165
Other assets - net	(1,107,585)	1,510,774
	(5,797,445)	2,655,514
Increase / (decrease) in operating liabilities		
Bills payable	(1,838,902)	(474,126)
Borrowings	10,565,999	(29,821,905)
Deposits and other accounts	(5,186,643)	20,737,802
Other liabilities	3,234,371	(2,245,406)
	6,774,825	(11,803,635)
	9,092,130	(973,833)
Income tax paid	(558,691)	(1,759,204)
	8,533,439	(2,733,037)
Net cash flows from operating activities		
Cash flows from investing activities		
Net investments in available-for-sale securities	(10,851,532)	(1,918,445)
Net investments in held-to-maturity securities	(232,136)	(533,412)
Dividend income received	162,113	129,807
Sale proceeds of property and equipment disposed off	11,634	10,811
Investment in operating fixed assets	(729,204)	(822,143)
	(11,639,125)	(3,133,382)
Net cash flows from investing activities		
Cash flows from financing activities		
Dividend paid	(2,367,917)	(828,025)
	(2,367,917)	(828,025)
Net cash flows from financing activities		
Exchange difference on translation of net investment in foreign branches	(28,579)	59,827
	(5,502,182)	(6,634,617)
Increase in cash and cash equivalents		
Cash and cash equivalents at January 1	60,857,124	57,783,180
Cash and cash equivalents at March 31	55,354,942	51,148,563

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


Imran Maqbool
President / CEO


S.M. Muneer
Director


Mian Umer Mansha
Director


Muhammad Ali Zeb
Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the three months period ended March 31, 2014

	Capital Reserves			Statutory reserve	Revenue Reserves		Total	
	Share capital	Reserve for issue of bonus shares	Share premium		Exchange translation reserve	General reserve		Unappropriated profit
	(Rupees in '000)							
Balance as at December 31, 2012	9,198,601	-	9,702,528	399,782	15,550,960	18,600,000	35,424,921	88,876,792
Change in equity for three months ended March 31, 2013								
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	-	-	-	59,827	-	-	-	59,827
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	69,619	69,619
Profit after taxation for three months period ended March 31, 2013	-	-	-	-	-	-	5,767,951	5,767,951
Total comprehensive income for the period ended March 31, 2013	-	-	-	59,827	-	-	5,837,570	5,897,397
Transferred to statutory reserve	-	-	-	-	576,795	-	(576,795)	-
Transfer to reserve for issue of bonus shares	-	919,860	-	-	-	-	(919,860)	-
Issue of bonus shares - December 31, 2012	919,860	(919,860)	-	-	-	-	-	-
Final cash dividend - December 31, 2012	-	-	-	-	-	-	(2,759,581)	(2,759,581)
Balance as at March 31, 2013	10,118,461	-	9,702,528	459,609	16,127,755	18,600,000	37,015,202	92,023,555
Change in equity for nine months ended December 31, 2013								
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	-	-	-	138,583	-	-	-	138,583
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	(20,246)	(20,246)
Profit after taxation for nine months ended December 31, 2013	-	-	-	-	-	-	15,727,387	15,727,387
Total comprehensive income for nine months ended December 31, 2013	-	-	-	138,583	-	-	15,707,141	15,845,724
Transferred to statutory reserve	-	-	-	-	1,572,739	-	(1,572,739)	-
Interim cash dividend - March 31, 2013	-	-	-	-	-	-	(3,541,471)	(3,541,471)
Interim cash dividend - June 30, 2013	-	-	-	-	-	-	(3,541,470)	(3,541,470)
Interim cash dividend - September 30, 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)
Balance as at December 31, 2013	10,118,461	-	9,702,528	598,192	17,700,494	18,600,000	40,552,043	97,271,718
Change in equity for three months ended March 31, 2014								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	11,907	11,907
Exchange differences on translation of net investment in foreign branches	-	-	-	(28,579)	-	-	-	(28,579)
Profit after taxation for three months period ended March 31, 2014	-	-	-	-	-	-	5,511,949	5,511,949
Total comprehensive income for the period ended March 31, 2014	-	-	-	(28,579)	-	-	5,511,949	5,483,370
Transferred to statutory reserve	-	-	-	-	551,195	-	(551,195)	-
Transfer to reserve for issue of bonus shares	-	1,011,846	-	-	-	-	(1,011,846)	-
Issue of bonus shares - December 31, 2013	1,011,846	(1,011,846)	-	-	-	-	-	-
Final cash dividend - December 31, 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)
Balance as at March 31, 2014	11,130,307	-	9,702,528	569,613	18,251,689	18,600,000	40,971,397	99,225,534

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

Imran Maqbool
President / CEO

S.M. Muneer
Director

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the three months period ended March 31, 2014

1 STATUS AND NATURE OF BUSINESS

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,208 branches including 27 Islamic banking branches (December 31, 2013: 1,208 branches including 27 Islamic banking branches) within Pakistan and 9 (December 31, 2013: 9) 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, 2013.

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 and certain investments and commitments in respect of certain forward foreign exchange contracts have been marked to market and are carried at fair value.

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

5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

5.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2013.

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, 2013.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the three months period ended March 31, 2014

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, 2013.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	March 31, 2014	December 31, 2013
	----- (Rupees in '000) -----	
Call money lendings	527,730	664,261
Repurchase agreement lendings	1,000,000	560,377
	1,527,730	1,224,638

8 INVESTMENTS - NET

8.1 Investments by types

	Note	March 31, 2014		
		Held by bank	Given as collateral	Total
				----- (Rupees in '000) -----
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	428,717,968	22,760,541	451,478,509
Held-to-maturity securities	8.2	7,467,883	51,006	7,518,889
		436,185,851	22,811,547	458,997,398
Associates	8.3	1,059,421	-	1,059,421
Subsidiaries		576,507	-	576,507
		1,635,928	-	1,635,928
Investments at cost		437,821,779	22,811,547	460,633,326
Less: Provision for diminution in the value of investments		(2,495,591)	-	(2,495,591)
Investments (net of provisions)		435,326,188	22,811,547	458,137,735
Surplus / (deficit) on revaluation of available for sale securities - net		4,022,878	(12,732)	4,010,146
Investments at revalued amounts - net of provisions		439,349,065	22,798,816	462,147,881

				December 31, 2013		
		Held by bank	Given as collateral	Total		
				----- (Rupees in '000) -----		
Held-for-trading securities		-	-	-		
Available-for-sale securities	8.2	424,019,008	16,631,860	440,650,868		
Held-to-maturity securities	8.2	7,221,917	64,836	7,286,753		
		431,240,925	16,696,696	447,937,621		
Associates	8.3	1,059,421	-	1,059,421		
Subsidiaries		576,507	-	576,507		
		1,635,928	-	1,635,928		
Investments at cost		432,876,853	16,696,696	449,573,549		
Less: Provision for diminution in the value of investments		(2,549,959)	-	(2,549,959)		
Investments (net of provisions)		430,326,894	16,696,696	447,023,590		
Surplus / (deficit) on revaluation of available for sale securities - net		1,995,296	(12,867)	1,982,429		
Investments at revalued amounts - net of provisions		432,322,190	16,683,829	449,006,019		

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
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8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2013: 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, 2013: 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, 2013: Rs. 943.600 million) as at March 31, 2014 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 March 31, 2014 amounted to Rs. 4,785.576 million (December 31, 2013: Rs. 3,809.906 million).

9 ADVANCES - NET

	Note	March 31, 2014	December 31, 2013	
				----- (Rupees in '000) -----
Loans, cash credits, running finances, etc				
- In Pakistan		240,650,087	230,190,144	
- Outside Pakistan		11,393,799	13,943,718	
		252,043,886	244,133,862	
Islamic Financing and related assets	18.1	8,537,224	11,303,966	
Net Investment in finance lease				
- In Pakistan		1,200,693	1,027,911	
- Outside Pakistan		86,238	108,534	
		1,286,931	1,136,445	
Bills discounted and purchased (excluding treasury bills)				
- Payable in Pakistan		2,027,631	1,455,467	
- Payable outside Pakistan		8,572,879	10,162,518	
		10,600,510	11,617,985	
Advances - gross		272,468,551	268,192,258	
Less: Provision against loans and advances				
- Specific provision	9.1	(18,798,404)	(19,450,148)	
- General provision		(272,153)	(267,860)	
- General provision against consumer loans & Small Enterprise Finance		(192,154)	(201,354)	
- General Provision for potential lease losses (in Sri Lanka operations)		(23,246)	(29,931)	
		(19,285,957)	(19,949,293)	
Advances - net of provision		253,182,594	248,242,965	

9.1 Advances include Rs. 22,514.419 million (December 31, 2013: Rs. 23,267.733 million) which have been placed under non-performing status as detailed below:

Category of Classification	Note	March 31, 2014				
		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
						----- (Rupees in '000) -----
Other Assets Especially Mentioned (OAEM)	9.1.1	55,324	-	55,324	4,695	4,695
Substandard		144,265	60,850	205,115	50,664	50,664
Doubtful		1,466,922	50,169	1,517,091	437,604	437,604
Loss		16,086,005	4,650,884	20,736,889	18,305,441	18,305,441
		17,752,516	4,761,903	22,514,419	18,798,404	18,798,404

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Note	December 31, 2013			Specific Provision Required	Specific Provision Held
	Classified Advances				
Category of Classification	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned (OAEM)	35,782	-	35,782	2,660	2,660
Substandard	168,423	50,438	218,861	53,810	53,810
Doubtful	1,453,012	-	1,453,012	405,827	405,827
Loss	16,584,176	4,975,902	21,560,078	18,987,851	18,987,851
	<u>18,241,393</u>	<u>5,026,340</u>	<u>23,267,733</u>	<u>19,450,148</u>	<u>19,450,148</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 SBP.

	March 31, 2014	December 31, 2013
	----- (Rupees in '000) -----	
10 BORROWINGS		
In Pakistan	41,177,495	30,267,778
Outside Pakistan	7,577,925	8,274,882
	<u>48,755,420</u>	<u>38,542,660</u>
10.1 Details of borrowings (secured / unsecured)		
Secured		
Borrowings from State Bank of Pakistan		
Export refinance scheme	9,576,480	8,939,210
Long term financing facility	4,080,774	3,832,857
Long term financing - export oriented projects scheme	394,079	213,965
Financing Facility for Storage of Agricultural Produce	626,574	670,858
	<u>14,677,907</u>	<u>13,656,890</u>
Repurchase agreement borrowings	22,850,594	16,675,724
	<u>37,528,501</u>	<u>30,332,614</u>
Unsecured		
Borrowings from other financial institution	4,237,722	2,633,818
Call borrowings	6,716,464	4,950,256
Overdrawn nostro accounts	272,733	625,972
	<u>11,226,919</u>	<u>8,210,046</u>
	<u>48,755,420</u>	<u>38,542,660</u>
11 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	51,915,938	60,524,016
Savings deposits	355,092,038	349,223,728
Current accounts	206,784,128	206,720,753
Margin accounts	3,539,024	3,937,113
	<u>617,331,128</u>	<u>620,405,610</u>
Financial institutions		
Remunerative deposits	7,125,516	8,058,094
Non-remunerative deposits	2,686,999	3,866,582
	<u>9,812,515</u>	<u>11,924,676</u>
	<u>627,143,643</u>	<u>632,330,286</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the three months period ended March 31, 2014

	March 31, 2014	December 31, 2013
	----- (Rupees in '000) -----	
12 DEFERRED TAX LIABILITY / (ASSET) - NET		
The details of the tax effect of taxable and deductible temporary differences are as follows:		
Taxable temporary differences on:		
Surplus on revaluation of operating fixed assets	951,081	957,493
Accelerated tax depreciation	1,214,306	1,236,316
Receivable from pension fund	2,075,224	2,048,974
Surplus on revaluation of securities	961,461	311,153
	<u>5,202,072</u>	<u>4,553,936</u>
Deductible temporary differences on:		
Provision for bad debts	(19,376)	(19,766)
Provision for retirement benefits	(319,516)	(332,797)
	<u>(338,892)</u>	<u>(352,563)</u>
	<u>4,863,180</u>	<u>4,201,373</u>
	March 31, 2014	December 31, 2013
	----- (Rupees in '000) -----	
13 CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring		
- Government	6,761,971	6,488,041
- Banks and financial institutions	2,390,229	2,347,585
- Others	20,874,596	16,054,851
	<u>30,026,795</u>	<u>24,890,477</u>
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
- Banks and financial institutions	-	20,933
- Others	1,646,246	1,500,019
- Suppliers credit / payee guarantee	2,475,101	2,489,432
	<u>4,121,347</u>	<u>4,010,384</u>
13.3 Trade-related contingent liabilities	76,321,124	80,638,690
13.4 Other contingencies		
Claims against the Bank not acknowledged as debts	3,808,232	3,035,863
	<u>3,808,232</u>	<u>3,035,863</u>
These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.		
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.		
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	38,775,089	72,216,751
Sale	42,480,008	79,959,563
	<u>626,395</u>	<u>243,614</u>
13.7 Commitments for the acquisition of fixed assets		
13.8 Other commitments		
FX options (notional amount)		
Purchase	41,348	216,344
Sale	41,348	216,344

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the three months period ended March 31, 2014**

13.9 Taxation

For assessment year 1988-89 through tax year 2012, 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.4,189 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 2012, aggregate liability of Rs 639 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 while the liability for tax year 2011& 2012 has been adjudged on an arbitrary basis.

Three months ended
March 31, March 31,
2014 2013
---- (Rupees in '000) ----

14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

Profit after taxation	<u>5,511,949</u>	<u>5,767,951</u>
	<i>Number of shares</i>	
Weighted average number of shares outstanding during the period	<u>1,113,030,748</u>	<u>1,113,030,748</u>
	<i>Rupees</i>	
Basic and diluted Earnings per share - after tax	<u>4.95</u>	<u>5.18</u>

15 CREDIT RATING

PACRA through its notification dated February 04, 2013, has upgraded bank's long term credit rating from AA+ [double A plus] to AAA [Triple A] and maintained short-term credit rating of A1+ [A one plus].

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the three months period ended March 31, 2014**

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Three months ended March 31, 2014					Total
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Inter segment elimination	
	----- (Rupees in '000) -----					
Total income	20,595	1,700,188	8,834,278	2,199,309	-	12,754,370
Total expenses	(8,770)	(173,705)	(3,538,024)	(677,779)	-	(4,398,278)
Income tax expense	-	-	-	-	-	(2,844,143)
Net income	11,825	1,526,483	5,296,254	1,521,530	-	5,511,949
Segment assets - (Gross of NPLs Provisions)	184,777	507,904,223	713,035,157	219,800,492	(598,682,065)	842,242,584
Advance taxation (payment less provision)	-	-	-	-	-	3,807,568
Total assets	184,777	507,904,223	713,035,157	219,800,492	(598,682,065)	846,050,152
Segment non performing loans	-	-	9,386,414	13,128,005	-	22,514,419
Segment specific provision required	-	-	9,334,562	9,463,842	-	18,798,404
Segment liabilities	25,674	483,380,164	634,756,551	189,357,945	(598,682,065)	708,838,269
Deferred tax liabilities - net	-	-	-	-	-	4,863,180
Total liabilities - net	25,674	483,380,164	634,756,551	189,357,945	(598,682,065)	713,701,449
Segment return on assets (ROA) (%)	44.58%	1.34%	5.02%	4.18%	-	-
Segment cost of fund (%)	-	9.78%	6.23%	9.57%	-	-

	Three months ended March 31, 2013					
Total income	15,091	2,040,552	8,036,367	1,981,081	-	12,073,091
Total expenses	(3,337)	(35,811)	(2,613,007)	(743,676)	-	(3,395,831)
Income tax expense	-	-	-	-	-	(2,909,309)
Net income	11,754	2,004,741	5,423,360	1,237,405	-	5,767,951
Segment assets - (Gross of NPLs provision)	147,601	449,098,263	653,365,482	206,030,806	(537,774,642)	770,867,510
Advance taxation (payment less provision)	-	-	-	-	-	9,792,951
Total assets	147,601	449,098,263	653,365,482	206,030,806	(537,774,642)	780,660,461
Segment non performing loans	-	-	10,852,445	13,848,693	-	24,701,138
Segment specific provision required	-	-	10,739,569	10,805,180	-	21,544,749
Segment liabilities	10,224	421,864,936	580,906,282	180,743,650	(537,774,642)	645,750,450
Deferred tax liabilities - net	-	-	-	-	-	9,045,133
Total liabilities - net	10,224	421,864,936	580,906,282	180,743,650	(537,774,642)	654,795,583
Segment return on assets (ROA) (%)	40.90%	1.82%	5.00%	4.06%	-	-
Segment cost of fund (%)	-	9.12%	5.25%	8.60%	-	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
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17 RELATED PARTY TRANSACTIONS AND BALANCES
The Bank has related party relationship with its associates, subsidiaries, employee benefit plans and its key management personnel (including their associates) and companies with common directors. 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	
	Three months ended March 31, 2014	Year ended December 31, 2013	Three months ended March 31, 2014	Year ended December 31, 2013	Three months ended March 31, 2014	Year ended December 31, 2013	Three months ended March 31, 2014	Year ended December 31, 2013	Three months ended March 31, 2014	Year ended December 31, 2013
A. Balances										
Deposits	931,665	2,863,874	978,408	976,642	24,771	74,461	14,487,517	26,850,559	125,197	46,039
Opening balance	908,888	4,273,706	13,786,712	18,859,601	567,754	167,560	11,086,049	61,540,324	215,348	1,176,959
Received during the period / year	(1,144,382)	(6,205,915)	(13,847,072)	(18,857,835)	(573,269)	(217,250)	(12,173,638)	(73,903,366)	(203,116)	(1,097,801)
Withdrawn during the period / year	696,171	951,665	918,048	978,408	19,256	24,771	13,399,958	14,487,517	137,429	125,197
Closing balance	2,185	2,795	978,408	976,642	24,771	74,461	14,487,517	26,850,559	125,197	46,039
Advances (secured)	188	(610)	-	-	526,623	485,749	116,594	98,056	67,765	53,965
Additional adjustments during the period / year	(188)	(610)	-	-	(33,975)	40,874	7,342	406,354	7,854	27,569
Repaid during the period / year	1,997	2,185	-	-	492,649	526,623	(104,961)	(387,826)	(4,068)	(13,668)
Closing balance	944	545	-	-	-	-	116,594	116,594	71,551	1,164
Outstanding balance of credit cards	-	-	-	-	-	-	-	-	-	-
Receivable from Pension Fund	-	-	-	-	-	-	-	-	-	-
B. Other transactions (including profit and loss related transactions)										
Outstanding commitments and contingent liabilities										
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	-	-	-	-	-	-
Unrealized gain on forward foreign exchange contracts - outstanding	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Trade payable	-	-	7,977	7,594	2,767	3,918	6,685	27,433	-	-
Retention money	-	-	-	-	-	-	-	-	-	-
Markup payable	3,113	5,678	405	405	280	156	4,422	3,612	371	80
Advances receivable	-	1,287	-	-	1,067	-	46,409	56,085	-	-
Markup Receivable	-	-	-	-	4,125	4,630	891	5,121	-	-
Receivable for other expenses	-	-	-	-	9,772	7,381	-	-	-	-
Commission Receivable	-	-	-	-	7,509	25,181	-	-	-	-
Insurance premium paid-net of refund	-	-	209,263	8,372	-	-	-	-	-	-
Insurance claim settled	-	-	13,914	-	5,842	5,647	1,344	1,020	1,353	600
Markup income on advances	-	-	-	-	-	-	18,766,536	1,491,468	-	-
Forward contracts during the period	-	-	-	-	-	-	-	-	-	-
Repo deals during the period	-	-	-	26,317,483	-	-	-	-	-	-
Rent Income Received	-	-	-	608	-	-	-	-	-	-
Dividend Income	-	-	103,262	124,896	46,196	55,435	1,486	125,288	-	-
Commission Income	-	-	-	-	9,568	6,799	-	49	-	-
Reimbursement of expenses	-	-	-	-	2,750	2,748	-	-	-	-
Brokerage expense	-	-	32,450	37,654	-	-	-	42	-	-
ATM Outsourcing Expense	-	-	-	-	-	14,063	-	-	-	-
Outsourcing service expenses	-	-	-	-	-	3,016	-	-	-	-
Switch Expense	-	-	-	-	-	-	-	-	-	-
Cash sorting expenses	-	-	-	-	-	-	12,918	11,497	-	-
Stationery Expenses	-	-	-	-	-	-	45,157	54,129	-	-
Security guard expenses	-	-	-	-	-	-	75,367	69,615	-	-
Remuneration and non-executive directors fee	46,303	29,438	9,534	28,543	375	264	130,070	442,882	203,348	51,909
Mark-up expense	8,769	41,235	-	-	-	-	-	-	156	602
Clearing expenses paid to NIFT	-	-	-	-	-	-	-	-	-	-
Contribution to provident fund	-	-	-	-	-	-	54,547	28,417	-	-
Gas Charges	-	-	-	-	-	-	2,928	2,690	-	-
Miscellaneous expenses and payments	-	-	1,005	795	-	-	7,573	3,472	-	-
The chairman has been provided with free use of the Bank maintained car. The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipment in accordance with the terms of their employment.	-	-	-	-	-	-	-	-	-	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
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18 ISLAMIC BANKING BUSINESS

The Bank is operating 27 Islamic banking branches at the end of March 31, 2014 (2013: 27 branches). The statement of financial position of the Bank's Islamic Banking Branches as at March 31, 2014 is as follows:

	Note	March 31, 2014	December 31, 2013
----- (Rupees in '000) -----			
Assets			
Cash and balance with treasury banks		533,115	609,797
Balance with other banks		-	-
Due from Financial Institution		-	-
Investments - net		1,802,353	2,817,667
Islamic Financing & Related Assets	18.1	8,436,863	11,207,333
Operating fixed assets		1,729,924	1,632,910
Deferred Tax Assets		-	-
Other Assets		93,535	90,592
		12,595,790	16,358,299
Liabilities			
Bill payable		65,090	107,938
Due to Financial Institution		635,820	682,770
Deposits and other accounts			
- Current Accounts		1,126,847	1,302,177
- Saving Accounts		2,198,532	2,391,100
- Term Deposits		2,604,745	2,765,346
- Others		32,716	96,641
Deposits from Financial Institution - Remunerative		3,253,132	4,609,453
Deposits from Financial Institution - Non Remunerative		12	12
Due to head Office		631,030	1,898,328
Deferred tax liability		-	-
Other liabilities		429,916	729,273
		10,977,840	14,583,037
Net assets		1,617,950	1,775,262
Represented by:			
Islamic Banking Fund		1,500,000	1,500,000
Unappropriated profit		20,001	257,952
		1,520,001	1,757,952
Surplus on revaluation of assets		97,949	17,310
		1,617,950	1,775,262

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
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	Note	March 31, 2014	December 31, 2013
----- (Rupees in '000) -----			
18.1. Islamic Financing and Related Assets			
Murabaha	18.1.1	6,724,205	9,500,229
Ijarah	18.1.2	328,951	268,721
Diminishing Musharaka	18.1.3	1,484,068	1,535,016
Gross Advances		8,537,224	11,303,966
Provision held		(100,361)	(96,633)
Advance - net of provision		8,436,863	11,207,333
18.1.1 Murabaha			
Financing/Investments/Receivables		4,041,833	4,162,888
Advances		263,591	756,568
Assets/Inventories		2,418,781	4,580,773
		6,724,205	9,500,229
18.1.2 Ijarah			
Financing/Investments/Receivables		-	-
Advances		328,951	268,721
		328,951	268,721
18.1.3 Diminishing Musharakah			
Financing/Investments/Receivables		1,235,544	1,305,563
Advances		248,524	229,453
		1,484,068	1,535,016
CHARITY FUND			
Opening balance		2,877	6,892
Additions during the year			
Received from customers on delayed payments		9,512	8,208
Return on charity saving account		162	277
		9,674	8,485
Payments / utilization during the year			
Social Welfare		-	(1,000)
Health		-	(500)
Education		-	(1,000)
Relief and disaster recovery		-	(10,000)
		-	(12,500)
Closing balance		12,551	2,877

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
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The profit and loss account of the Bank's Islamic banking business for the three months ended March 31, 2014 is as follows:

	Quarter ended March 31, 2014	Quarter ended March 31, 2013
----- (Rupees in '000) -----		
Income / return / profit earned	275,900	345,594
Income / return / profit expensed	194,917	245,519
Net Income / Profit	80,983	100,075
Provision / (reversal) against loans and advances - net	-	6,916
Provision for diminution in the value of investments	-	(7,045)
Bad debts written off directly	-	-
	-	(129)
Net profit / income after provisions	80,983	100,204
Other income		
Fees, commission and brokerage income	108,693	89,435
Dividend income	-	-
Income from dealing in foreign currencies	4,077	2,637
Other Income	3,858	1,366
Total other income	116,628	93,438
	197,611	193,642
Other expenses		
Administrative expenses	177,610	135,329
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	-	6
Total other expenses	177,610	135,335
Extra ordinary / unusual items	-	-
Profit before taxation	20,001	58,307
	522	486

19 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Corresponding figures have been re-arranged and reclassified to reflect more appropriate presentation of transactions for the purpose of comparison. However, no significant reclassifications have been made in these unconsolidated condensed interim financial statements.

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on April 22, 2014 has announced cash dividend in respect of the three months period ended March 31, 2014 of Rs.3.00 per share (March 31, 2013: Rs. 3.50 per share). These unconsolidated condensed interim financial statements for the three months period ended March 31, 2014 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

21 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on April 22, 2014.


Imran Maqbool
President / CEO


S.M. Muneer
Director


Mian Umer Mansha
Director


Muhammad Ali Zeb
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 March 31, 2014

	Note	Unaudited March 31, 2014	Audited December 31, 2013
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		53,795,046	59,946,218
Balances with other banks		1,890,739	1,594,660
Lendings to financial institutions	7	1,527,730	1,224,638
Investments - net	8	467,098,242	453,808,345
Advances - net	9	253,402,987	248,521,792
Operating fixed assets		29,262,082	29,005,931
Deferred tax assets - net		-	-
Other assets - net		26,196,287	27,176,720
		833,173,113	821,278,304
Liabilities			
Bills payable		8,299,824	10,138,726
Borrowings	10	48,850,036	38,660,405
Deposits and other accounts	11	627,128,318	632,309,094
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	5,181,456	4,500,293
Other liabilities		24,823,642	20,206,991
		714,283,276	705,815,509
Net assets			
		118,889,837	115,462,795
Represented by:			
Share capital		11,130,307	10,118,461
Reserves		47,495,629	47,008,936
Un-appropriated profit		43,596,622	43,038,094
		102,222,558	100,165,491
Minority interest		468,954	489,671
		102,691,512	100,655,162
Surplus on revaluation of assets - net of tax		16,198,325	14,807,633
		118,889,837	115,462,795

Contingencies and commitments

13

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

Imran Maqbool
President / CEO

S.M. Muneer
Director

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

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

For the three months period ended March 31, 2014

	Note	Quarter ended March 31, 2014	Quarter ended March 31, 2013
----- (Rupees in '000) -----			
Mark-up / return / interest earned		17,960,821	16,740,161
Mark-up / return / interest expensed		7,922,358	6,995,795
Net mark-up / interest income		10,038,463	9,744,366
Provision / (reversal) against loans and advances - net		(552,861)	(810,931)
Provision / (reversal) for diminution in the value of investments - net		(30,477)	(29,477)
Bad debts written off directly		-	-
		(583,338)	(840,408)
Net mark-up / interest income after provisions		10,621,801	10,584,774
Non mark-up / interest income			
Fee, commission and brokerage income		1,803,474	1,632,323
Dividend income		231,323	322,255
Income from dealing in foreign currencies		416,455	140,692
Gain on sale of securities - net		250,870	185,862
Unrealized gain on revaluation of investments classified as held for trading		23,981	33,919
Other income		107,910	101,798
Total non mark-up / interest income		2,834,013	2,416,849
		13,455,814	13,001,623
Non-mark-up / interest expenses			
Administrative expenses		4,897,639	4,120,157
Other provisions / (reversals)		(4,390)	10,180
Other charges		180,816	187,981
Total non mark-up / interest expenses		5,074,065	4,318,318
Share of profit of associates		189,168	185,031
Extraordinary / unusual item		-	-
		8,570,917	8,868,336
Profit before taxation			
Taxation - current period		2,847,203	2,875,369
- prior years		-	-
- deferred		30,764	66,567
Share of tax of associates		18,178	23,565
		2,896,145	2,965,501
Profit after taxation		5,674,772	5,902,835
Profit attributable to minority interest		(23,719)	(17,688)
		5,651,053	5,885,147
Profit attributable to ordinary shareholders			
Earnings per share - basic and diluted - Rupees	14	5.08	5.29

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

Imran Maqbool
President / CEO

S.M. Muneer
Director

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the three months period ended March 31, 2014

	Quarter ended March 31, 2014	Quarter ended March 31, 2013
	----- (Rupees in '000) -----	
Profit after tax for the period	5,674,772	5,902,835
Other comprehensive income		
Items that will not be reclassified to profit and loss account		
Remeasurement of defined benefit plans - net of tax	-	69,619
Items that may be reclassified to profit and loss account		
Effect of translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the bank	(41,933)	61,889
- Minority interest	(698)	108
	(42,631)	61,997
Share of exchange translation reserve of associates	(22,569)	4,561
Comprehensive income transferred to equity	5,609,572	6,039,012
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	2,042,851	(1,855,681)
Deferred tax	(650,308)	570,619
	1,392,543	(1,285,062)
Total comprehensive income for the period	7,002,115	4,753,950

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


Imran Maqbool
President / CEO


S.M. Muneer
Director


Mian Umer Mansha
Director


Muhammad Ali Zeb
Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)
For the three months period ended March 31, 2014

	March 31, 2014	March 31, 2013
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	8,570,917	8,868,336
Less: Dividend income & share of associates	(420,491)	(507,286)
	8,150,426	8,361,050
Adjustments for:		
Depreciation	394,157	358,390
Amortization	69,198	67,759
Provision / (reversal) against loans and advances - net	(552,861)	(810,931)
Provision / (reversal) for diminution in the value of investments - net	(30,477)	(29,477)
Other provisions / (reversals)	(4,390)	10,180
Provision for Workers' Welfare Fund	167,122	173,545
Remeasurement of defined benefit plans	-	107,106
Unrealized gain on revaluation of investments classified as held for trading	(23,981)	(33,919)
Gain on disposal of fixed assets	(6,572)	(2,786)
	12,196	(160,133)
	8,162,622	8,200,917
(Increase) / decrease in operating assets		
Lendings to financial institutions	(303,092)	1,176,918
Net investment in held for trading securities	146,766	10,960
Advances - net	(4,328,334)	44,208
Other assets - net	(1,188,284)	1,504,653
	(5,672,944)	2,736,739
Increase / (decrease) in operating liabilities		
Bills payable	(1,838,902)	(474,126)
Borrowings	10,542,870	(29,827,682)
Deposits and other accounts	(5,180,776)	20,798,738
Other liabilities	3,275,985	(2,232,633)
	6,799,177	(11,735,703)
	9,288,855	(798,047)
Income tax paid	(558,599)	(1,759,202)
Net cash flows from operating activities	8,730,256	(2,557,249)
Cash flows from investing activities		
Net investments in available-for-sale securities	(10,948,605)	(1,901,374)
Net investments in held-to-maturity securities	(232,136)	(533,412)
Dividend income received	115,917	74,372
Sale proceeds of property and equipment disposed off	11,634	10,811
Investment in operating fixed assets	(724,568)	(819,280)
Net cash flows from investing activities	(11,777,758)	(3,168,883)
Cash flows from financing activities		
Dividend paid	(2,411,721)	(880,580)
Net cash flows from financing activities	(2,411,721)	(880,580)
Exchange difference on translation of net investment in foreign branches & subsidiaries	(42,631)	61,997
Increase in cash and cash equivalents	(5,501,854)	(6,544,715)
Cash and cash equivalents at January 1	60,914,906	57,828,024
Cash and cash equivalents at March 31	55,413,052	51,283,309

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


Imran Maqbool
President / CEO


S.M. Muneer
Director


Mian Umer Mansha
Director


Muhammad Ali Zeb
Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the three months period ended March 31, 2014

	Capital Reserves			Revenue Reserves				Minority interest	Total	
	Share capital	Reserve for issue of bonus shares	Share premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit			Sub Total
	(Rupees in '000)									
Balance as at December 31, 2012	9,198,601	-	9,924,438	545,530	15,550,960	18,600,000	37,530,955	91,350,484	501,256	91,851,740
Change in equity for three months ended March 31, 2013										
Profit after taxation for three months period ended March 31, 2013	-	-	-	-	-	-	5,902,835	5,902,835	-	5,902,835
Profit attributable to minority interest	-	-	-	-	-	-	(17,688)	(17,688)	17,688	-
Profit after taxation for the three months ended March 31, 2013 attributable to ordinary shareholders of the group	-	-	-	-	-	-	5,885,147	5,885,147	17,688	5,902,835
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	69,619	69,619	-	69,619
Exchange differences on translation of net investment in foreign branches	-	-	-	61,889	-	-	-	61,889	108	61,997
Share of exchange translation reserve of associates	-	-	-	4,561	-	-	-	4,561	-	4,561
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	9,011	9,011	61	9,072
Transferred to statutory reserve	-	-	-	-	576,795	-	(576,795)	-	-	-
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(52,565)	(52,565)
Transfer to reserve for issue of bonus shares	-	919,860	-	-	-	-	(919,860)	-	-	-
Issue of bonus shares - December 31, 2012	919,860	(919,860)	-	-	-	-	-	-	-	-
Final cash dividend - December 31, 2012	-	-	-	-	-	-	(2,759,581)	(2,759,581)	-	(2,759,581)
Balance as at March 31, 2013	10,118,461	-	9,924,438	611,980	16,127,755	18,600,000	39,238,496	94,621,130	466,548	95,087,678
Change in equity for nine months ended December 31, 2013										
Profit after taxation for nine months ended December 31, 2013	-	-	-	-	-	-	16,047,306	16,047,306	-	16,047,306
Profit attributable to minority interest	-	-	-	-	-	-	(57,355)	(57,355)	57,355	-
Profit after taxation for the nine months ended March 31, 2013 attributable to ordinary shareholders of the group	-	-	-	-	-	-	15,989,951	15,989,951	57,355	16,047,306
Remeasurement of defined benefit plans - net of tax	-	-	-	-	-	-	(20,246)	(20,246)	-	(20,246)
Exchange differences on translation of net investment in foreign branches	-	-	-	149,883	-	-	-	149,883	629	150,512
Share of exchange translation reserve of associates	-	-	-	22,141	-	-	-	22,141	-	22,141
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	27,034	27,034	182	27,216
Transferred to statutory reserve	-	-	-	-	1,572,739	-	(1,572,739)	-	-	-
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(35,043)	(35,043)
Interim cash dividend - March 31, 2013	-	-	-	-	-	-	(3,541,471)	(3,541,471)	-	(3,541,471)
Interim cash dividend - June 30, 2013	-	-	-	-	-	-	(3,541,470)	(3,541,470)	-	(3,541,470)
Interim cash dividend - September 30, 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)	-	(3,541,461)
Balance as at December 31, 2013	10,118,461	-	9,924,438	784,004	17,700,494	18,600,000	43,038,094	100,165,491	489,671	100,655,162
Change in equity for three months ended March 31, 2014										
Profit after taxation for three months ended December 31, 2014	-	-	-	-	-	-	5,674,772	5,674,772	-	5,674,772
Profit attributable to minority interest	-	-	-	-	-	-	(23,719)	(23,719)	23,719	-
Profit after taxation for the three months ended March 31, 2014 attributable to ordinary shareholders of the group	-	-	-	-	-	-	5,651,053	5,651,053	23,719	5,674,772
Exchange differences on translation of net investment in foreign branches	-	-	-	(41,933)	-	-	-	(41,933)	(698)	(42,631)
Share of exchange translation reserve of associates	-	-	-	(22,569)	-	-	-	(22,569)	-	(22,569)
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	11,977	11,977	66	12,043
Transferred to statutory reserve	-	-	-	-	551,195	-	(551,195)	-	-	-
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(43,804)	(43,804)
Transfer to reserve for issue of bonus shares	-	1,011,846	-	-	-	-	(1,011,846)	-	-	-
Issue of bonus shares - December 31, 2013	1,011,846	(1,011,846)	-	-	-	-	-	-	-	-
Final cash dividend - December 31, 2013	-	-	-	-	-	-	(3,541,461)	(3,541,461)	-	(3,541,461)
Balance as at March 31, 2014	11,130,307	-	9,924,438	719,502	18,251,689	18,600,000	43,596,622	102,222,558	468,954	102,691,512

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

Imran Maqbool
President / CEO

S.M. Muneer
Director

Mian Umer Mansha
Director

Muhammad Ali Zeb
Director

Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the three months period ended March 31, 2014

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company

- MCB Bank Limited

"Percentage holding of
MCB Bank Limited"

Subsidiary Companies

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

99.99%
99.95%
100.00%
51.329%
95.00%

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's Registered Office and Principal Office are situated at MCB -15 Main Gulberg, Lahore. The Bank operates 1,208 branches including 27 Islamic banking branches (December 31, 2013: 1,208 branches including 27 Islamic banking branches) within Pakistan and 9 (December 31, 2013: 9) 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 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 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 March 31, 2014 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 March 31, 2014.

c) Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

3 STATEMENT OF COMPLIANCE

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

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

For the three months period ended March 31, 2014

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, 2013.

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 and certain investments and commitments in respect of certain forward foreign exchange contracts 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, 2013.

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, 2013.

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 Bank for the year ended December 31, 2013.

7. LENDINGS TO FINANCIAL INSTITUTIONS

Note	March 31, 2014	December 31, 2013
	----- (Rupees in '000) -----	
Call money lendings	527,730	664,261
Repurchase agreement lendings	1,000,000	560,377
	<u>1,527,730</u>	<u>1,224,638</u>

8 INVESTMENTS - NET

8.1 Investments by types

	March 31, 2014	December 31, 2013
	----- (Rupees in '000) -----	
Held-for-trading securities	451,904	451,904
Available-for-sale securities	429,037,484	451,798,025
Held-to-maturity securities	7,467,883	7,518,889
	<u>436,957,271</u>	<u>459,768,818</u>

Associates

Note	March 31, 2014	December 31, 2013
	----- (Rupees in '000) -----	
- Adamjee Insurance Company Limited	5,546,161	5,546,161
- Euronet Pakistan (Private) Limited	62,128	62,128
- First Women Bank Limited	63,300	63,300
	<u>5,671,589</u>	<u>5,671,589</u>

Investments at cost

Less: Provision for diminution in the value of investments	(2,495,591)	(2,495,591)
------------------------------------------------------------	-------------	-------------

Investments (net of provisions)

Surplus / (deficit) on revaluation of available for sale securities - net	4,142,177	4,129,445
Surplus on revaluation of held-for-trading securities - net	23,981	23,981

Investments at revalued amounts - net of provisions

	<u>444,299,426</u>	<u>467,098,242</u>
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Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)

For the three months period ended March 31, 2014

Note	December 31, 2013		
	Held by bank	Given as collateral	Total
	----- (Rupees in '000) -----		
Held-for-trading securities	575,270	-	575,270
Available-for-sale securities	424,241,451	16,631,860	440,873,311
Held-to-maturity securities	7,221,917	64,836	7,286,753
	<u>432,038,638</u>	<u>16,696,696</u>	<u>448,735,334</u>
Associates			
- Adamjee Insurance Company Limited	5,386,250	-	5,386,250
- Euronet Pakistan (Private) Limited	63,426	-	63,426
- First Women Bank Limited	63,300	-	63,300
	<u>5,512,976</u>	<u>-</u>	<u>5,512,976</u>
Investments at cost	437,551,614	16,696,696	454,248,310
Less: Provision for diminution in the value of investments	(2,549,959)	-	(2,549,959)
Investments (net of provisions)	435,001,655	16,696,696	451,698,351
Surplus / (deficit) on revaluation of available for sale securities - net	2,099,461	(12,867)	2,086,594
Deficit on revaluation of held-for-trading securities - net	23,400	-	23,400
Investments at revalued amounts - net of provisions	<u>437,124,516</u>	<u>16,683,829</u>	<u>453,808,345</u>

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2013: 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, 2013: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

8.3 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at March 31, 2014 amounted to Rs. 4,785.576 million (December 31, 2013: Rs. 3,809.906 million).

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

	March 31, 2014	December 31, 2013
	----- (Rupees in '000) -----	
Opening Balance	5,386,250	4,176,476
Share of profit for the period / year before tax	190,291	622,902
Dividend from associate	-	(126,118)
Share of tax	(18,003)	(83,961)
	<u>172,288</u>	<u>412,823</u>
Share of other comprehensive income	(12,377)	796,951
Closing Balance	<u>5,546,161</u>	<u>5,386,250</u>

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%

	March 31, 2014	December 31, 2013
	----- (Rupees in '000) -----	
Opening Balance	63,426	55,679
Share of profit for the year before tax	(1,123)	5,959
Share of tax	(175)	1,788
	<u>(1,298)</u>	<u>7,747</u>
Closing Balance	<u>62,128</u>	<u>63,426</u>

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

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

For the three months period ended March 31, 2014

9 ADVANCES - NET

	Note	March 31, 2014 ----- (Rupees in '000) -----	December 31, 2013
Loans, cash credits, running finances, etc			
- In Pakistan		240,650,087	230,190,144
- Outside Pakistan		10,901,025	13,419,914
		251,551,112	243,610,058
Islamic Financing and related assets	18.1	8,537,224	11,303,966
Net Investment in finance lease			
- In Pakistan		1,200,693	1,027,911
- Outside Pakistan		799,405	911,165
		2,000,098	1,939,076
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		2,027,631	1,455,467
- Payable outside Pakistan		8,572,879	10,162,518
		10,600,510	11,617,985
Advances - gross		272,688,944	268,471,085
Less: Provision against loans and advances			
- Specific provision	9.1	(18,798,404)	(19,450,148)
- General provision		(272,153)	(267,860)
- General provision against consumer loans & Small Enterprise Finance		(192,154)	(201,354)
- General Provision for potential lease losses (in Sri Lanka operations)		(23,246)	(29,931)
		(19,285,957)	(19,949,293)
Advances - net of provision		253,402,987	248,521,792

9.1 Advances include Rs. 22,514,419 million (December 31, 2013: Rs. 23,267,733 million) which have been placed under non-performing status as detailed below:

Category of Classification	March 31, 2014				
	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM)	55,324	-	55,324	4,695	4,695
Substandard	144,265	60,850	205,115	50,664	50,664
Doubtful	1,466,922	50,169	1,517,091	437,604	437,604
Loss	16,086,005	4,650,884	20,736,889	18,305,441	18,305,441
	17,752,516	4,761,903	22,514,419	18,798,404	18,798,404

Category of Classification	December 31, 2013				
	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM)	35,782	-	35,782	2,660	2,660
Substandard	168,423	50,438	218,861	53,810	53,810
Doubtful	1,453,012	-	1,453,012	405,827	405,827
Loss	16,584,176	4,975,902	21,560,078	18,987,851	18,987,851
	18,241,393	5,026,340	23,267,733	19,450,148	19,450,148

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

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

For the three months period ended March 31, 2014

	March 31, 2014 ----- (Rupees in '000) -----	December 31, 2013
10 BORROWINGS		
In Pakistan	41,177,495	30,267,778
Outside Pakistan	7,672,541	8,392,627
	48,850,036	38,660,405
10.1 Details of borrowings (secured / unsecured)		
Secured		
Borrowings from State Bank of Pakistan		
Export refinance scheme	9,576,480	8,939,210
Long term financing facility	4,080,774	3,832,857
Long term financing - export oriented projects scheme	394,079	213,965
Financing Facility for Storage of Agricultural Produce	626,574	670,858
	14,677,907	13,656,890
Repurchase agreement borrowings	22,850,594	16,675,724
	37,528,501	30,332,614
Unsecured		
Borrowings from other financial institution	4,332,338	2,751,563
Call borrowings	6,716,464	4,950,256
Overdrawn nostro accounts	272,733	625,972
	11,321,535	8,327,791
	48,850,036	38,660,405
11 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	51,915,938	60,524,016
Savings deposits	355,089,170	349,209,809
Current accounts	206,771,671	206,713,480
Margin accounts	3,539,024	3,937,113
	617,315,803	620,384,418
Financial institutions		
Remunerative deposits	7,125,516	8,058,094
Non-remunerative deposits	2,686,999	3,866,582
	9,812,515	11,924,676
	627,128,318	632,309,094

March 31, 2014
----- (Rupees in '000) -----

12 DEFERRED TAX LIABILITY / (ASSET) - NET

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

Taxable temporary differences on:

Surplus on revaluation of operating fixed assets	956,927	963,433
Accelerated tax depreciation	1,255,507	1,276,877
Receivable from pension fund	2,075,224	2,048,974
Investments in associates	272,115	254,886
Surplus on revaluation of securities	961,461	311,153
	5,521,234	4,855,323

Deductible temporary differences on:

Provision for bad debts	(19,376)	(19,766)
Taxable losses	(886)	(2,467)
Provision for retirement benefits	(319,516)	(332,797)
	(339,778)	(355,030)
	5,181,456	4,500,293

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

For the three months period ended March 31, 2014

March 31, 2014 December 31, 2013
----- (Rupees in '000) -----

13 CONTINGENCIES AND COMMITMENTS

13.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring

- Government

- Banks and financial institutions

- Others

6,761,971	6,488,041
2,390,229	2,347,585
20,874,596	16,054,851
30,026,796	24,890,477

13.2 Transaction-related contingent liabilities

Guarantees in favour of:

- Banks and financial institutions

- Others

- Suppliers credit / payee guarantee

-	20,933
1,646,246	1,500,019
2,475,101	2,489,432
4,121,347	4,010,384
76,321,124	80,638,690

13.3 Trade-related contingent liabilities

13.4 Other contingencies

Claims against the Bank not acknowledged as debts

3,808,232	3,035,863
------------------	------------------

These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and the possibility of an outflow of economic resources is remote.

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.

13.6 Commitments in respect of forward foreign exchange contracts

Purchase

Sale

38,775,089	72,216,751
42,480,008	79,959,563

13.7 Commitments for the acquisition of fixed assets

626,395	243,614
---------	---------

13.8 Other commitments

FX options (notional amount)

Purchase

Sale

41,348	216,344
41,348	216,344

13.9 Taxation

For assessment year 1988-89 through tax year 2012, 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.4,189 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 2012, aggregate liability of Rs 639 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 while the liability for tax year 2011& 2012 has been adjudged on an arbitrary basis.

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

For the three months period ended March 31, 2014

Three months ended
March 31, 2014 March 31, 2013
---- (Rupees in '000) ----

14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

Profit after taxation

5,651,053	5,885,147
-----------	-----------

Number of shares

Weighted average number of shares outstanding during the period

1,113,030,748	1,113,030,748
---------------	---------------

Rupees

Basic and diluted Earnings per share - after tax

5.08	5.29
------	------

15 CREDIT RATING

PACRA through its notification dated February 04, 2013, has upgraded bank's long term credit rating from AA+ [double A plus] to AAA [Triple A] and maintained short-term credit rating of A1+ [A one plus].

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the three months period ended March 31, 2014

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Three months ended March 31, 2014						
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Inter segment elimination	Total
	(Rupees in '000)						
Total income	29,377	1,691,131	8,973,907	2,239,429	131,441	(3,641)	13,061,644
Total expenses	(14,679)	(176,329)	(3,552,557)	(681,888)	(68,915)	3,641	(4,490,727)
Income tax expense	-	-	-	-	-	-	(2,896,145)
Net income	14,698	1,514,802	5,421,350	1,557,541	62,526	-	5,674,772
Segment assets - (Gross of NPLs Provisions)	279,652	508,316,462	716,943,310	220,921,284	1,505,743	(599,787,942)	848,178,509
Advance taxation (payment less provision)	-	-	-	-	-	-	3,793,008
Total assets	279,652	508,316,462	716,943,310	220,921,284	1,505,743	(599,787,942)	851,971,517
Segment non performing loans	-	-	9,386,414	13,128,005	-	-	22,514,419
Segment specific provision required	-	-	9,334,562	9,463,842	-	-	18,798,404
Segment liabilities	35,758	483,511,167	635,534,989	189,581,470	226,378	(599,787,942)	709,101,820
Deferred tax liabilities - net	-	-	-	-	-	-	5,181,456
Total liabilities - net	35,758	483,511,167	635,534,989	189,581,470	226,378	(599,787,942)	714,283,276
Segment return on assets (ROA) (%)	42.02%	1.33%	5.07%	4.24%	34.92%	-	-
Segment cost of fund (%)	-	9.78%	6.23%	9.57%	-	-	-

	Three months ended March 31, 2013						
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Inter segment elimination	Total
Total income	23,799	2,022,104	8,185,879	2,024,803	109,488	(19,827)	12,346,246
Total expenses	(8,730)	(42,425)	(2,631,326)	(756,172)	(59,084)	19,827	(3,477,910)
Income tax expense	-	-	-	-	-	-	(2,965,501)
Net income	15,069	1,979,679	5,554,553	1,268,631	50,404	-	5,902,835

Segment assets - (Gross of NPLs provision)	267,328	454,209,127	670,060,044	209,916,855	1,374,752	(538,908,273)	796,919,833
Advance taxation (payment less provision)	-	-	-	-	-	-	9,792,951
Total assets	267,328	454,209,127	670,060,044	209,916,855	1,374,752	(538,908,273)	806,712,784
Segment non performing loans	-	-	10,852,445	13,848,693	-	-	24,701,138
Segment specific provision required	-	-	10,739,569	10,805,180	-	-	21,544,749
Segment liabilities	16,350	422,080,549	581,682,305	180,930,515	157,030	(538,908,273)	645,958,476
Deferred tax liabilities - net	-	-	-	-	-	-	9,302,313
Total liabilities - net	16,350	422,080,549	581,682,305	180,930,515	157,030	(538,908,273)	655,260,789
Segment return on assets (ROA) (%)	35.61%	1.78%	4.97%	4.07%	-	-	-
Segment cost of fund (%)	-	9.12%	5.25%	8.60%	-	-	-

17 RELATED PARTY TRANSACTIONS AND BALANCES

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	
	Three months ended March 31, 2014	Year ended Dec 31, 2013	Three months ended March 31, 2014	Year ended Dec 31, 2013	Three months ended March 31, 2014	Year ended Dec 31, 2013	Three months ended March 31, 2014	Year ended Dec 31, 2013
A. Balances								
Deposits	931,665	2,863,874	978,408	976,642	14,487,517	26,850,559	125,197	46,039
Opening balance	908,888	4,273,706	13,786,712	18,859,601	11,086,049	61,540,324	215,348	1,176,959
Received during the period / year	(1,144,382)	(6,205,915)	(13,847,072)	(18,857,835)	(12,173,038)	(73,903,366)	(203,116)	(1,097,801)
Withdrawn during the period / year	696,171	931,665	918,048	978,408	13,399,928	14,487,517	137,429	125,197
Closing balance	2,185	2,795	-	-	116,584	98,056	67,765	53,865
Advances (secured)	-	(610)	-	-	7,854	406,354	7,854	27,569
Opening balance	1,987	2,185	-	-	(104,361)	(387,826)	(4,068)	(13,669)
Additions/adjustments during the period / year	944	545	-	-	18,965	116,584	71,551	67,765
Repaid during the period / year	-	-	-	-	-	-	1,164	2,635
Closing balance	-	-	-	-	5,929,207	2	-	-
B. Other transactions (including profit and loss related transactions)								
Outstanding balance of credit cards	10,805	10,805	10,805	10,805	88,364	90,171	-	-
Outstanding commitments and contingent liabilities	-	-	-	-	10,216,247	5,623,351	-	-
Forward foreign exchange contracts (Notional) - outstanding	-	-	-	-	3,673	19,424	-	-
Unrealized gain on forward foreign exchange contracts - outstanding	-	-	-	-	2,955,891	3,159,738	-	-
Borrowings	-	-	7,977	7,584	6,685	27,433	-	-
Trade payable	-	-	-	-	4,422	3,612	-	-
Retention money	3,113	405	5,678	405	1,142,593	1,071,287	371	80
Markup payable	-	-	1,287	-	46,409	58,085	-	-
Advance receivable	-	-	-	-	891	5,121	-	-
Markup Receivable	-	-	-	-	-	-	-	-
Receivable for other expenses	-	-	-	-	-	-	-	-
Commission Receivable	-	-	-	-	-	-	-	-
Insurance premium paid-net of refund	209,263	8,372	1,344	1,020	1,353	600	-	-
Insurance claim settled	13,914	-	18,766,536	1,491,468	-	-	-	-
Markup income on advances	-	-	-	-	-	-	-	-
Forward contracts during the period	-	26,317,483	-	-	-	-	-	-
Repo deals during the period	-	608	-	-	-	-	-	-
Rent Income Received	-	-	103,262	124,896	1,486	49	-	-
Dividend Income	-	-	-	-	-	-	-	-
Commission income	-	-	-	-	-	-	-	-
Reimbursement of expenses	-	-	-	-	-	-	-	-
Brokerage expense	-	-	32,450	37,654	-	-	-	-
ATM Outsourcing Expense	-	-	-	-	-	-	-	-
Cash sorting expenses	-	-	-	-	-	-	-	-
Stationery Expenses	-	-	-	-	-	-	-	-
Security guard expenses	-	-	-	-	-	-	-	-
Remuneration and non-executive directors fee	46,303	29,438	130,070	442,882	156	51,909	-	-
Markup expense	8,769	41,235	33,890	28,417	54,547	602	-	-
Clearing expenses paid to NIFT	-	-	54,547	45,341	-	-	-	-
Contribution to provident fund	-	-	2,928	2,690	-	-	-	-
Gas Charges	-	-	1,005	795	-	-	-	-
Miscellaneous expenses and payments	-	-	-	-	-	-	-	-

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 three months period ended March 31, 2014

18 ISLAMIC BANKING BUSINESS

The Bank is operating 27 Islamic banking branches at the end of March 31, 2014 (2013: 27 branches). The statement of financial position of the Bank's Islamic Banking Branches as at March 31, 2014 is as follows:

	Note	March 31, 2014	December 31, 2013
----- (Rupees in '000) -----			
Assets			
Cash and balance with treasury banks		533,115	609,797
Balance with other banks		-	-
Due from Financial Institution		-	-
Investments - net		1,802,353	2,817,667
Islamic Financing & Related Assets	18.1	8,436,863	11,207,333
Operating fixed assets		1,729,924	1,632,910
Deferred Tax Assets		-	-
Other Assets		93,535	90,592
		12,595,790	16,358,299
Liabilities			
Bill payable		65,090	107,938
Due to Financial Institution		635,820	682,770
Deposits and other accounts			
- Current Accounts		1,126,847	1,302,177
- Saving Accounts		2,198,532	2,391,100
- Term Deposits		2,604,745	2,765,346
- Others		32,716	96,641
Deposits from Financial Institution - Remunerative		3,253,132	4,609,453
Deposits from Financial Institution - Non Remunerative		12	12
Due to head Office		631,030	1,898,328
Deferred tax liability		-	-
Other liabilities		429,916	729,273
		10,977,840	14,583,037
Net assets		1,617,950	1,775,262
Represented by:			
Islamic Banking Fund		1,500,000	1,500,000
Unappropriated profit		20,001	257,952
		1,520,001	1,757,952
Surplus on revaluation of assets		97,949	17,310
		1,617,950	1,775,262

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

For the three months period ended March 31, 2014

	Note	March 31, 2014	December 31, 2013
----- (Rupees in '000) -----			
18.1. Islamic Financing and Related Assets			
Murabaha	18.1.1	6,724,205	9,500,229
Ijarah	18.1.2	328,951	268,721
Diminishing Musharaka	18.1.3	1,484,068	1,535,016
Gross Advances		8,537,224	11,303,966
Provision held		(100,361)	(96,633)
Advance - net of provision		8,436,863	11,207,333
18.1.1 Murabaha			
Financing/Investments/Receivables		4,041,833	4,162,888
Advances		263,591	756,568
Assets/Inventories		2,418,781	4,580,773
		6,724,205	9,500,229
18.1.2 Ijarah			
Financing/Investments/Receivables		-	-
Advances		328,951	268,721
		328,951	268,721
18.1.3 Diminishing Musharakah			
Financing/Investments/Receivables		1,235,544	1,305,563
Advances		248,524	229,453
		1,484,068	1,535,016
CHARITY FUND			
Opening balance		2,877	6,892
Additions during the year			
Received from customers on delayed payments		9,512	8,208
Return on charity saving account		162	277
		9,674	8,485
Payments / utilization during the year			
Social Welfare		-	(1,000)
Health		-	(500)
Education		-	(1,000)
Relief and disaster recovery		-	(10,000)
		-	(12,500)
Closing balance		12,551	2,877

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

For the three months period ended March 31, 2014

The profit and loss account of the Bank's Islamic banking business for the three months ended March 31, 2014 is as follows:

	Quarter ended March 31, 2014	Quarter ended March 31, 2013
	----- (Rupees in '000) -----	
Income / return / profit earned	275,900	345,594
Income / return / profit expensed	194,917	245,519
Net Income / Profit	80,983	100,075
Provision / (reversal) against loans and advances - net	-	6,916
Provision for diminution in the value of investments	-	(7,045)
Bad debts written off directly	-	-
	-	(129)
Net profit / income after provisions	80,983	100,204
Other income		
Fees, commission and brokerage income	108,693	89,435
Dividend income	-	-
Income from dealing in foreign currencies	4,077	2,637
Other Income	3,858	1,366
Total other income	116,628	93,438
	197,611	193,642
Other expenses		
Administrative expenses	177,610	135,329
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	-	6
Total other expenses	177,610	135,335
Extra ordinary / unusual items	-	-
Profit before taxation	20,001	58,307
Remuneration to Shariah Advisor / Board	522	486

19 GENERAL


- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Corresponding figures have been re-arranged and reclassified to reflect more appropriate presentation of transactions for the purpose of comparison. However, no significant reclassifications have been made in these consolidated condensed interim financial statements.

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on April 22, 2014 has announced cash dividend in respect of the three months period ended March 31, 2014 of Rs. 3.00 per share (March 31, 2013: Rs. 3.50 per share). These consolidated condensed interim financial statements for the three months period ended March 31, 2014 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

21 DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on April 22, 2014.



Imran Maqbool
President / CEO



S.M. Muneer
Director



Mian Umer Mansha
Director



Muhammad Ali Zeb
Director