

First Quarterly Report, 2010

Overcoming Challenges



Principal Office
MCB 15-Main Gullberg, Lahore
UAN: (042) 111-000-111
PABX: (042) 6041998-9
www.mcb.com.pk





Our Vision

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

Our Mission

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

Our Values

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

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



CORPORATE PROFILE

Board of Directors

Mian Mohammad Mansha
Chairman
S.M. Muneer
Vice Chairman
Tariq Rafi
Shahzad Saleem
Sarmad Amin
Dr. Muhammad Yaqub
Mian Raza Mansha
Mian Umer Mansha
Dato’ Mohammed Hussein
Abdul Farid Bin Alias
Aftab Ahmad Khan
Muhammad Ali Zeb

Atif Bajwa
President & Chief Executive Officer
Audit Committee
Tariq Rafi - Chairman
Dr. Muhammad Yaqub - Member
Dato’ Mohammed Hussein - Member
Aftab Ahmad Khan - Member
Muhammad Ali Zeb - Member
Malik Abdul Waheed - Advisor to Chairman

Chief Financial Officer

Salman Zafar Siddiqi
Company Secretary
Abdus S. Sami

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Khalid Anwer & Co.
Advocates & Legal Consultants

Registered Office

MCB Building F-6/G-6,
Jinnah Avenue, Islamabad.

Principal Office

MCB 15 Main Gulberg, Lahore.

Registrar's And Share Registration Office

M/s THK Associates (Pvt) Ltd.
State Life Building No. 3,
Dr. Ziauddin Ahmed Road,
Karachi



DIRECTORS' REVIEW REPORT MARCH, 2010

I am pleased to place before you, on behalf of the Board of Directors, the quarterly financial statements of your Bank for the period ended March 31, 2010.

Financial Highlights

The profit before and after taxation together with the appropriations during the quarter ended March 31, 2010 are as follows:

	Rs. in Million
Profit before taxation	6,251
Taxation	(2,110)
Profit after taxation	4,141
Un-appropriated profit brought forward	15,779
Transfer from surplus on revaluation of fixed assets (net of tax)	5
	15,785
Profit available for appropriation	19,926
Appropriations:	
Statutory reserve	414
Final cash dividend – December 2009	2,419
Issue of bonus shares – December 2009	691
Total appropriations	3,524
Un-appropriated profit carried forward	16,402

Performance Review

During the quarter under review ended March 31, 2010, the Bank delivered profit before tax of Rs. 6.251 billion as against Rs. 6.238 billion for similar quarter last year whereas profit after tax was reported at 4.141 billion translating into an annualized EPS of Rs. 21.79 as compared to restated EPS for 2009 of Rs. 20.38. The equity base of the Bank was reported at 62.8 billion depicting an increase of 3% over December 2009.

During the first quarter under review, deposits significantly increased by 7% to Rs. 391.6 billion from Rs. 367.6 billion in December 2009; with savings deposits with the highest growth of 8% followed by current and fixed deposits both with an increase of 5%. Gross advances decreased by 3.8% over December 2009. The non performing loans of the Bank marginally increased by 0.3% over December 2009 and were reported at Rs. 23.3 billion.

Ratings

PACRA through its notification in June 2009, has assigned long term credit rating of AA+ [double A plus] and short-term credit rating of A1+ [A one plus] to the Bank.



Review of Economic Conditions

The economy is showing signs of a slow recovery in 2010, benefiting from lower interest rates compared to last year and an improvement in the external sector. Pakistan's foreign exchange reserve position has strengthened and the PKR exchange rate against the US Dollar stabilized in 2010 with the narrowing of the current account deficit and robust worker remittances. However, the economic recovery continues to face significant headwinds from the capacity shortfall in the power sector, an uptick in inflationary pressures and the overall law & order situation. After touching single digits in the latter half of 2009, inflation has jumped back up into double digits due to upward revisions in electricity tariffs and an increase in domestic commodity prices. Monetary policy and banking system liquidity is expected to remain tight in FY2010 due to persistent inflationary pressures and the government's budgetary borrowing requirements, although some slippage in interest rates is likely through the year.

Future Outlook

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

Acknowledgement

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

On behalf of Directors


Mian Mohammad Mansha
Chairman

April, 21, 2010



Unconsolidated Condensed Interim Balance Sheet
As at March 31, 2010

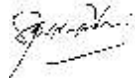
	Note	Unaudited March 31, 2010	Audited December 31, 2009
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		37,963,458	38,774,871
Balances with other banks		11,284,319	6,009,993
Lendings to financial institutions	7	5,459,525	3,000,000
Investments - net	8	157,031,820	167,134,465
Advances - net	9	242,214,593	253,249,407
Operating fixed assets		18,017,329	18,014,896
Deferred tax assets - net		-	-
Other assets - net		25,553,582	23,040,095
		497,524,626	509,223,727
Liabilities			
Bills payable		6,564,245	8,201,090
Borrowings	10	11,455,380	44,662,088
Deposits and other accounts	11	391,565,252	367,604,711
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	3,420,567	3,196,743
Other liabilities		12,466,924	15,819,082
		425,472,368	439,483,714
Net assets		72,052,258	69,740,013
Represented by:			
Share capital		7,602,150	6,911,045
Reserves		38,798,175	38,385,760
Un-appropriated profit		16,401,640	15,779,127
		62,801,965	61,075,932
Surplus on revaluation of assets - net of tax		9,250,293	8,664,081
		72,052,258	69,740,013

Contingencies and commitments

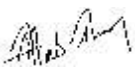
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The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.


Atif Bajwa
President and Chief Executive


Sarmad Amin
Director


Abdul Farid Bin Alias
Director


Aftab Ahmad Khan
Director

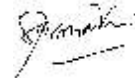


Unconsolidated Condensed Interim Profit and Loss Account (Un-audited)
For the three months period ended March 31, 2010

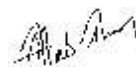
	Note	Quarter ended March 31, 2010	Quarter ended March 31, 2009
----- (Rupees in '000) -----			
Mark-up / return / interest earned		13,100,812	12,982,895
Mark-up / return / interest expensed		4,377,043	3,885,763
Net mark-up / interest income		8,723,769	9,097,132
Provision against loans and advances - net		864,533	1,791,347
Provision / (reversal) for diminution in the value of investments - net		123,979	(49,024)
Bad debts written off directly		13,760	453
		1,002,272	1,742,776
Net mark-up / interest income after provisions		7,721,497	7,354,356
Non mark-up / interest income			
Fee, commission and brokerage income		971,590	846,390
Dividend income		112,999	97,463
Income from dealing in foreign currencies		117,299	436,540
Gain on sale of securities - net		28,175	93,727
Unrealized loss on revaluation of investments classified as held for trading		-	(3,381)
Other income		170,358	204,317
Total non mark-up / interest income		1,400,421	1,675,056
		9,121,918	9,029,412
Non-mark-up / interest expenses			
Administrative expenses		2,650,192	2,613,799
Other provisions		37	3,108
Other charges		220,539	174,536
Total non mark-up/interest expenses		2,870,768	2,791,443
		6,251,150	6,237,969
Extra ordinary / unusual item		-	-
Profit before taxation		6,251,150	6,237,969
Taxation - current period		1,983,291	2,154,151
- prior years		-	(62,500)
- deferred		126,708	11,347
		2,109,999	2,102,998
Profit after taxation		4,141,151	4,134,971
----- (Rupees) -----			
Earnings per share - basic and diluted	11	5.45	5.44

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


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Director

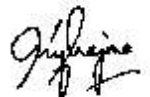

Aftab Ahmad Khan
Director

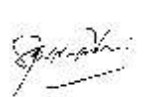


Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For the three months period ended March 31, 2010


	March 31, 2010	March 31, 2009
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	6,251,150	6,237,969
Less: Dividend income	(112,999)	(97,463)
	6,138,151	6,140,506
Adjustments for non-cash charges		
Depreciation	243,338	242,714
Amortization	31,590	48,000
Provision against loans and advances - net	864,533	1,791,347
Provision / (reversal) for diminution in the value of investments - net	123,979	(49,024)
Other provisions	37	3,108
Bad debts written off directly	13,760	453
Gain on disposal of fixed assets	(115)	(7,510)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	-	12,326
	1,277,122	2,041,414
	7,415,273	8,181,920
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,459,525)	(7,187,804)
Net investment in held for trading securities	-	(133,076)
Advances - net	10,156,521	16,570,019
Other assets - net	(2,480,127)	807,831
	5,216,869	10,056,970
Increase / (decrease) in operating liabilities		
Bills payable	(1,636,845)	(3,111,619)
Borrowings	(33,206,708)	7,583,092
Deposits and other accounts	23,960,541	8,036,696
Other liabilities	562,244	(5,759,897)
	(10,320,768)	6,748,272
	2,311,374	24,987,162
	(6,200,372)	(261,930)
Net cash flows from operating activities	(3,888,998)	24,725,232
Cash flows from investing activities		
Net investments in available-for-sale securities	10,430,732	(17,953,619)
Net investments in held-to-maturity securities	320,849	(9,229,331)
Investment in subsidiary companies	(84,139)	-
Dividend income received	79,602	47,453
Investment in operating fixed assets - net of disposals	(277,246)	(551,232)
Net cash flows from investing activities	10,469,798	(27,686,729)
Cash flows from financing activities		
Dividend paid	(2,116,187)	(1,577,939)
Net cash flows from financing activities	(2,116,187)	(1,577,939)
Exchange difference on translation of net investment in foreign branches	(1,700)	(16,894)
	4,462,913	(4,556,330)
Cash and cash equivalents at January 1	44,784,864	43,674,272
Cash and cash equivalents at March 31	49,247,777	39,117,942

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


Atif Bajwa
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Director


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Director

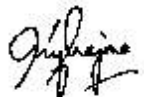

Aftab Ahmad Khan
Director

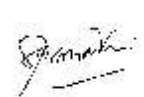


Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the three months period ended March 31, 2010


	Capital Reserves		Revenue Reserves		Total	
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit
	----- (Rupees in '000) -----					
Balance as at January 01, 2009	6,282,768	9,702,528	188,686	8,277,551	18,600,000	9,193,332
Change in equity for three months ended March 31, 2009						
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,330
Exchange differences on translation of net investment in foreign branches	-	-	(16,894)	-	-	-
Net income recognised directly in equity	-	-	(16,894)	-	-	5,330
Profit after taxation for Three months period ended March 31, 2009	-	-	-	-	-	4,134,971
Total comprehensive income for the period ended March 31, 2009	-	-	(16,894)	-	-	4,140,301
Transferred to statutory reserve	-	-	-	413,497	-	(413,497)
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	(628,277)
Final cash dividend - December 31, 2008	-	-	-	-	-	(1,570,692)
Balance as at March 31, 2009	6,911,045	9,702,528	171,792	8,691,048	18,600,000	10,721,167
Change in equity for nine months ended December 31, 2009						
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	16,994
Exchange differences on translation of net investment in foreign branches	-	-	84,359	-	-	-
Net income recognised directly in equity	-	-	84,359	-	-	16,994
Profit after taxation for nine months period ended December 31, 2009	-	-	-	-	-	11,360,326
Total comprehensive income for the period ended December 31, 2009	-	-	84,359	-	-	11,377,320
Transferred to statutory reserve	-	-	-	1,136,033	-	(1,136,033)
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)
Interim cash dividend - June 30, 2009	-	-	-	-	-	(1,727,773)
Interim cash dividend - September 30, 2009	-	-	-	-	-	(1,727,773)
Balance as at December 31, 2009	6,911,045	9,702,528	256,151	9,827,081	18,600,000	15,779,127
Change in equity for three months ended March 31, 2010						
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,448
Exchange differences on translation of net investment in foreign branches	-	-	(1,700)	-	-	-
Net income recognised directly in equity	-	-	(1,700)	-	-	5,448
Profit after taxation for three months period ended March 31, 2010	-	-	-	-	-	4,141,151
Total comprehensive income for the period ended March 31, 2010	-	-	(1,700)	-	-	4,146,599
Transferred to statutory reserve	-	-	-	414,115	-	(414,115)
Issue of bonus shares - December 31, 2009	691,105	-	-	-	-	(691,105)
Final cash dividend - December 31, 2009	-	-	-	-	-	(2,418,866)
Balance as at March 31, 2010	7,602,150	9,702,528	254,451	10,241,196	18,600,000	16,401,640

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


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President and Chief Executive


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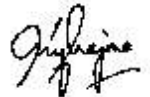


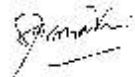
Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the three months period ended March 31, 2010

	Quarter ended March 31, 2010	Quarter ended March 31, 2009
	------(Rupees '000') -----	
Profit after tax for the period	4,141,151	4,134,971
Other comprehensive income		
Effect of translation of net investment in foreign branches	(1,700)	(16,894)
Surplus on revaluation of fixed assets relating to incremental depreciation	8,382	8,200
Income tax relating to incremental depreciation on revaluation of fixed assets	(2,934)	(2,870)
Total comprehensive income for the period	4,144,899	4,123,407

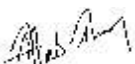
Surplus/ deficit on revaluation of 'Available for sale' securities and 'fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated 04 August 2000 and BSD circular 10 dated 13 July 2004 and Companies Ordinance, 1984 respectively.

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


Atif Bajwa
President and Chief Executive


Sarmad Amin
Director


Abdul Farid Bin Alias
Director


Aftab Ahmad Khan
Director



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)
For the three months period ended March 31, 2010

- 1 STATUS AND NATURE OF BUSINESS**

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depositary Receipts (GDRs) (representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg, Lahore, respectively. The Bank operates 1,072 branches including 11 Islamic banking branches (December 31, 2009: 1,074 branches including 11 Islamic banking branches) with in Pakistan and 7 (December 31, 2009: 7) branches outside the country (including the Karachi Export Processing Zone Branch).
- 2 BASIS OF PRESENTATION**

2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these 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 26 August 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

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

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



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)
For the three months period ended March 31, 2010

5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

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

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

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

7. LENDINGS TO FINANCIAL INSTITUTIONS

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Call money lendings	1,221,280	3,000,000
Repurchase agreement lendings	4,238,245	-
	<u>5,459,525</u>	<u>3,000,000</u>

8 INVESTMENTS - NET

8.1 Investments by types

		March 31, 2010		
		Held by bank	Given as collateral	Total
		----- Rupees in 000 -----		
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	144,784,204	-	144,784,204
Held-to-maturity securities	8.2	13,458,393	-	13,458,393
		<u>158,242,597</u>	<u>-</u>	<u>158,242,597</u>
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		462,065	-	462,065
		<u>1,468,965</u>	<u>-</u>	<u>1,468,965</u>
Investments at cost		159,711,562	-	159,711,562
Less: Provision for diminution in the value of investments		(3,673,652)	-	(3,673,652)
Investments (net of provisions)		156,037,910	-	156,037,910
Surplus on revaluation of available for sale securities - net		993,910	-	993,910
Investments at revalued amounts - net of provisions		157,031,820	-	157,031,820



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)
For the three months period ended March 31, 2010

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

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

8.3 Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (December 31, 2009: Rs. 943.600 million) as at March 31, 2010 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at March 31, 2010 amounted to Rs. 3,998.757 million (December 31, 2009: Rs. 4,039.049 million).

9 ADVANCES - NET

		March 31, 2010	December 31, 2009
		----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc			
- In Pakistan		237,883,181	247,718,210
- Outside Pakistan		7,310,501	7,788,234
		<u>245,193,682</u>	<u>255,506,444</u>
Net Investment in finance lease			
- In Pakistan		3,460,601	3,867,943
- Outside Pakistan		66,072	65,492
		<u>3,526,673</u>	<u>3,933,435</u>
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		5,924,893	4,519,520
- Payable outside Pakistan		4,904,474	5,762,777
		<u>10,829,367</u>	<u>10,282,297</u>
Advances - gross		<u>259,549,722</u>	<u>269,722,176</u>
Less: Provision against loans and advances			
- Specific provision	9.1	(16,591,854)	(15,678,345)
- General provision		(259,550)	(269,722)
- General provision against consumer loans		(453,457)	(494,434)
- General Provision for potential lease losses (in Sri Lanka Operations)		(30,268)	(30,268)
		<u>(17,335,129)</u>	<u>(16,472,769)</u>
Advances - net of provision		<u>242,214,593</u>	<u>253,249,407</u>

Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)
For the three months period ended March 31, 2010

9.1 Advances include Rs. 23,311.987 million (December 31, 2009: Rs. 23,238.723 million) which have been placed under non-performing status as detailed below:

March 31, 2010						
Category of Classification		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
----- Rupees in '000 -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	71,049	-	71,049	-	-
Substandard		1,729,231	46,832	1,776,063	402,438	402,438
Doubtful		4,424,754	21,982	4,446,736	2,097,596	2,097,596
Loss		13,056,771	3,961,368	17,018,139	14,091,820	14,091,820
		19,281,805	4,030,182	23,311,987	16,591,854	16,591,854
December 31, 2009						
Category of Classification		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
----- Rupees in '000 -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	76,933	-	76,933	-	-
Substandard		2,960,881	24,728	2,985,609	696,740	696,740
Doubtful		4,242,845	-	4,242,845	1,920,370	1,920,370
Loss		11,965,808	3,967,528	15,933,336	13,061,235	13,061,235
		19,246,467	3,992,256	23,238,723	15,678,345	15,678,345

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

10 BORROWINGS

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
In Pakistan	10,704,984	43,658,408
Outside Pakistan	750,396	1,003,680
	<u>11,455,380</u>	<u>44,662,088</u>

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	8,664,037	8,829,527
Long term financing facility	-	80,220
Long term financing - export oriented projects scheme	2,040,947	2,018,330
	<u>10,704,984</u>	<u>10,928,077</u>

Borrowings from other financial institutions	420,911	452,398
Repurchase agreement borrowings	115,009	31,606,331
	<u>535,920</u>	<u>32,058,729</u>
	<u>11,240,904</u>	<u>42,986,806</u>

Unsecured

Overdrawn nostro accounts	214,476	1,146,092
Call borrowings	-	529,190
	<u>214,476</u>	<u>1,675,282</u>
	<u>11,455,380</u>	<u>44,662,088</u>

Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)
For the three months period ended March 31, 2010

11 DEPOSITS AND OTHER ACCOUNTS

Customers

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Fixed deposits	65,676,915	62,651,531
Savings deposits	188,521,860	173,797,078
Current accounts - non remunerative	130,159,872	123,898,324
Margin accounts	2,851,256	2,910,655
Others	10	767
	<u>387,209,913</u>	<u>363,258,355</u>

Financial institutions

Remunerative deposits	2,241,062	2,258,295
Non-remunerative deposits	2,114,277	2,088,061
	<u>4,355,339</u>	<u>4,346,356</u>
	<u>391,565,252</u>	<u>367,604,711</u>

12 DEFERRED TAX LIABILITY / (ASSET) - NET

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

Taxable temporary differences on:

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Surplus on revaluation of operating fixed assets	500,714	503,649
Accelerated tax depreciation	749,945	749,828
Receivable from pension fund	3,569,161	3,262,911
Net investment in finance lease receivable	184,090	301,189
Surplus on revaluation of securities	7,062	-
	<u>5,010,972</u>	<u>4,817,577</u>

Deductible temporary differences on:

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Deficit on revaluation of securities	-	(90,053)
Provision for bad debts	(1,160,238)	(1,084,757)
Provision for contributory benevolent scheme	(41,227)	(46,604)
Provision for post retirement medical benefits	(388,940)	(399,420)
	<u>(1,590,405)</u>	<u>(1,620,834)</u>
	<u>3,420,567</u>	<u>3,196,743</u>

12.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable up to a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances can be carried over to succeeding years. However the management, based on the projections prepared by the Bank, is of the view that it would be able to get deduction of provision in excess of 1% of total advances and accordingly has recognised deferred tax amounting to Rs. 1,160.238 million on such provisions.

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Guarantees in favour of:		
- Government	4,325,627	6,027,243
- Banks and financial institutions	7,416,149	11,312,597
- Others	6,376,276	4,755,380
Suppliers credit / payee guarantee	2,363,716	2,421,640
	<u>20,481,768</u>	<u>24,516,860</u>
	<u>51,732,855</u>	<u>47,577,037</u>

13.2 Trade-related contingent liabilities

13.3 Other contingencies

Claims against the Bank not acknowledged as debts

13.4 Commitments to extend credit

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



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)
For the three months period ended March 31, 2010

	March 31, 2010	December 31, 2009
13.5 Commitments in respect of forward foreign exchange contracts		
Purchase	30,886,382	23,832,214
Sale	36,557,378	23,037,004
13.6 Commitments for the acquisition of fixed assets	-	-
13.7 Other commitments		
Cross currency swaps (notional amount)	239,690	249,690
Interest rate swaps (notional amount)	166,667	166,667
FX Option (notional amount)	1,085,737	-
Forward outright sale of Government Securities	50,000	-

13.8 Taxation

The income tax assessments of the Bank have been finalized upto and including the Tax Year 2009. For the Tax Years 2003 to 2008, the department has amended the assessments on certain issues against which the Bank has filed appeal before the Commissioner of Income Tax (Appeals). In respect of the Tax Year 2003 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided the matter in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). The management and the Bank's legal counsel are of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities. For Tax Year 2007, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 716.713 million against which the legal/apellate course from the Bank has reached ITAT level.

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

	Three months ended March 31, March 31, 2010 2009	
	---- (Rupees in '000) ----	
14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	4,141,151	4,134,971
	Number of shares	
Weighted average number of shares outstanding during the period	760,214,980	760,214,980
	Rupees	
Basic and diluted Earnings per share - after tax	5.45	5.44

15 CREDIT RATING

PACRA through its notification in June 2009, has assigned long term credit rating of AA+ [double A plus] and short-term credit rating of A1+ [A one plus] to the Bank.



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)
For the three months period ended March 31, 2010

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Three months ended March 31, 2010				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	----- (Rupees in '000) -----				
Total income	8,676	3,748,459	5,957,247	4,786,851	14,501,233
Total expenses	(2,885)	(472,710)	(7,246,511)	(527,977)	(8,250,083)
Income tax expense	-	-	-	-	(2,109,999)
Net income	5,791	3,275,749	(1,289,264)	4,258,874	4,141,151
Segment assets - (Gross of NPLs Provisions)	-	183,583,106	116,054,510	211,358,056	510,995,672
Provision for taxation	-	-	-	-	3,120,808
Total assets	-	183,583,106	116,054,510	211,358,056	514,116,480
Segment non performing loans	-	-	7,422,330	15,889,657	23,311,987
Segment specific provision required	-	-	5,282,699	11,309,155	16,591,854
Segment liabilities	-	157,811,541	92,097,917	172,142,343	422,051,801
Deferred tax liabilities - net	-	-	-	-	3,420,567
Total liabilities - net	-	157,811,541	92,097,917	172,142,343	425,472,368
Segment return on assets (ROA) (%)	-	7.14%	-4.66%	8.52%	3.35%
Segment cost of fund (%)	-	11.56%	3.84%	3.58%	4.15%

	Three months ended March 31, 2009				
Total income	7,344	2,122,039	9,354,298	3,174,270	14,657,951
Total expenses	(4,455)	(525,396)	(6,910,201)	(979,930)	(8,419,982)
Income tax expense	-	-	-	-	(2,102,998)
Net income	2,889	1,596,643	2,444,097	2,194,340	4,134,971
Segment assets - (Gross of NPLs provision)	-	127,284,144	143,578,853	197,172,707	468,035,704
Total assets	-	127,284,144	143,578,853	197,172,707	468,035,704
Segment non performing loans	-	-	7,408,079	12,082,025	19,490,104
Segment specific provision required	-	-	4,411,337	7,194,025	11,605,362
Segment liabilities	-	111,392,656	116,263,840	163,827,242	391,483,738
Deferred tax assets	-	-	-	-	917,681
Provision for taxation	-	-	-	-	1,772,520
Total liabilities - net	-	111,392,656	116,263,840	163,827,242	394,173,939
Segment return on assets (ROA) (%)	-	5.02%	7.25%	4.80%	5.61%
Segment cost of fund (%)	-	6.01%	4.15%	5.71%	4.31%



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)
For the three months period ended March 31, 2010

17 RELATED PARTY TRANSACTIONS

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

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

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

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	Three months ended	Year ended	Three months ended	Year ended	Three months ended	Year ended	Three months ended	Year ended
	March 31, 2010	Dec 31, 2009	March 31, 2010	Dec 31, 2009	March 31, 2010	Dec 31, 2009	March 31, 2010	Dec 31, 2009
----- (Rupees in '000) -----								
Deposits								
Deposits at beginning of the period / year	1,388,118	425,898	886,744	286,055	38,067	29,774	17,509,967	10,490,252
Deposits received during the period / year	10,939,436	19,095,688	21,079,997	69,703,084	137,292	737,261	36,826,025	59,816,048
Deposits repaid during the period / year	(9,882,081)	(18,133,468)	(21,245,932)	(69,102,395)	(130,992)	(728,968)	(34,963,418)	(52,796,333)
Deposits at the end of the period / year	2,445,473	1,388,118	720,809	886,744	44,367	38,067	19,372,574	17,509,967
Advances (secured)								
Balance at beginning of the period / year	-	-	-	-	1,141	1,640	-	-
Loan granted during the period / year	-	-	-	-	-	-	-	-
Repayment during the period / year	-	-	-	-	(134)	(499)	-	-
Balance at end of the period / year	-	-	-	-	1,007	1,141	-	-
March 31, 2010 December 31, 2009								
----- (Rupees in '000) -----								
Receivable from Pension Fund					10,197,304	9,322,304		
	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	March 31, 2010	March / December 31, 2009	March 31, 2010	March / December 31, 2009	March 31, 2010	March / December 31, 2009	March 31, 2010	March / December 31, 2009
	2010	2009	2010	2009	2010	2009	2010	2009
----- (Rupees in '000) -----								
Adamjee Insurance Company Limited								
Insurance claim settled	-	-	16,930	18,613	-	-	-	-
Dividend income	-	-	-	29,780	-	-	-	-
Mayban International Trust (Labuan) Berhad								
Dividend paid	-	-	483,773	314,138	-	-	-	-
Bonus shares issued	-	-	138,221	125,655	-	-	-	-
Forward foreign exchange contracts (Notional)	-	-	1,384,467	3,408,431	-	-	-	-
Unrealized loss on forward foreign exchange contracts	-	-	7,482	36,213	-	-	-	-
MNET Services (Private) Limited								
Outsourcing service expenses	-	-	-	-	18,587	16,651	-	-
Networking service expenses	-	-	-	-	3,583	-	-	-
Switch revenue	-	-	-	-	32	157	-	-
Payment system managed service revenue (PSM)	-	-	-	-	6,680	7,232	-	-
Payable for trade debts	-	-	-	-	33,157	34,932	-	-
"MCB Leasing" Closed Joint Stock Company								
- Capital injection	-	-	-	-	84,138	394	-	-
MCB Asset Management Company Limited								
- Bank balance	-	-	-	-	994	1,653	-	-
- Markup payable	-	-	-	-	51	51	-	-
MCB Employees Foundation								
- Service expenses	-	-	-	-	-	-	4,430	4,279
- Cash sorting expenses	-	-	-	-	-	-	6,499	4,890
- Stationary expenses	-	-	-	-	-	-	30,197	28,685
- Cash in transit expenses	-	-	-	-	-	-	218	673
MCB Employees Security System & Services (Private) Limited								
- Security guard expenses	-	-	-	-	-	-	37,561	31,209
Others								
- Remuneration of key management personnel	12,526	11,419	-	-	-	-	35,797	26,299
- Miscellaneous expenses	-	-	-	-	-	-	39,586	25,931
- Contribution to provident fund	-	-	-	-	-	-	37,450	35,540

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



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)
For the three months period ended March 31, 2010

18 ISLAMIC BANKING BUSINESS

The balance sheet of the Bank's Islamic Banking business as at March 31, 2010 is as follows:

Assets

Cash and balances with treasury banks
Investments - net
Financing and receivables
- Murabaha
- Ijara
- Islamic export refinance
Deferred tax assets
Other assets

Liabilities

Bills payable
Deposits and other accounts
- Current accounts
- Saving accounts
- Term deposits
- Others
Borrowing from SBP
Due to head office
Other liabilities

Net assets

Represented by:


Islamic Banking Fund
Unappropriated profit


Surplus / (deficit) on revaluation of assets - net of tax

Charity fund


Opening balance
Additions during the period / year
Payments/ utilization during the period / year
Closing balance

March 31, 2010	December 31, 2009
----- (Rupees in '000) -----	
333,476	315,766
1,601,047	1,671,364
2,364,035	1,466,368
648,529	771,734
1,366,739	1,239,498
2,484	1,352
1,888,541	2,725,991
8,204,851	8,192,073
14,828	15,779
242,116	231,793
1,931,398	1,450,493
439,020	271,760
4,497	2,790
1,344,000	1,137,307
3,000,000	3,600,000
316,173	420,598
7,292,032	7,130,520
912,819	1,061,553
850,000	850,000
67,432	214,064
917,432	1,064,064
(4,613)	(2,511)
912,819	1,061,553
1,998	2,093
461	1,405
-	(1,500)
2,459	1,998


Atif Bajwa
President and Chief Executive


Sarmad Amin
Director


Abdul Farid Bin Alias
Director


Aftab Ahmad Khan
Director



Notes to the Unconsolidated Condensed Interim Financial statements (Un-audited)
For the three months period ended March 31, 2010

The profit and loss account of the Bank's Islamic banking business for the three months period ended March 31, 2010 is as follows:

	Quarter ended March 31, 2010 ----- (Rupees in '000) -----	Quarter ended March 31, 2009
Income / return / profit earned	273,068	312,277
Income / return / profit expensed	184,744	186,055
Net Income / Profit	88,324	126,222
Provision against loans and advances - net	(20)	35,888
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	(20)	35,888
Net profit / income after provisions	88,344	90,334
Other income		
Fees, commission and brokerage income	7,852	2,196
Dividend income	-	-
Income from dealing in foreign currencies	1,620	1,091
Other Income	14,412	2,957
Total other income	23,884	6,244
Other expenses	112,228	96,578
Administrative expenses	44,796	23,243
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	-	-
Total other expenses	44,796	23,243
Extra ordinary / unusual items	-	-
Profit before taxation	67,432	73,335
Remuneration to Shariah Advisor / Board	316	310

19 GENERAL


- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Comparative figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

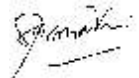
20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on April 21, 2010 has announced cash dividend in respect of the three months period ended March 31, 2010 of Rs 2.50 per share (March 31, 2009: Rs 2.50 per share). These unconsolidated condensed interim financial statements for the three months period ended March 31, 2010 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

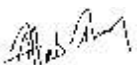
21 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on April 21, 2010 .


Atif Bajwa
President and Chief Executive


Sarmad Amin
Director


Abdul Farid Bin Alias
Director


Aftab Ahmad Khan
Director



MCB BANK LIMITED

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



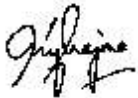
Consolidated Condensed Interim Balance Sheet
As at March 31, 2010

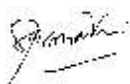
	Note	Unaudited March 31, 2010	Audited December 31, 2009
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		37,963,458	38,774,871
Balances with other banks		11,434,421	6,077,354
Lendings to financial institutions	7	5,459,525	3,000,000
Investments - net	8	159,466,768	169,484,647
Advances - net	9	242,213,586	253,248,265
Operating fixed assets		18,102,352	18,099,010
Deferred tax assets - net		-	-
Other assets - net		25,587,833	23,057,731
		500,227,943	511,741,878
Liabilities			
Bills payable		6,564,245	8,201,090
Borrowings	10	11,455,380	44,662,088
Deposits and other accounts	11	391,520,885	367,581,075
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	3,433,090	3,201,756
Other liabilities		12,455,941	15,782,589
		425,429,541	439,428,598
Net assets		74,798,402	72,313,280
Represented by:			
Share capital		7,602,150	6,911,045
Reserves		38,800,034	38,387,656
Un-appropriated profit		18,544,677	17,821,670
		64,946,861	63,120,371
Minority interest		73	71
		64,946,934	63,120,442
Surplus on revaluation of assets - net of tax		9,851,468	9,192,838
		74,798,402	72,313,280

Contingencies and commitments

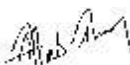
13

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


Atif Bajwa
President and Chief Executive


Sarmad Amin
Director


Abdul Farid Bin Alias
Director



Aftab Ahmad Khan
Director

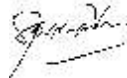


Consolidated Condensed Interim Profit and Loss Account (Un-audited)
For the three months period ended March 31, 2010

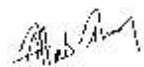
	Quarter ended March 31, 2010	Quarter ended March 31, 2009
	----- (Rupees in '000) -----	
Mark-up / return / interest earned	13,102,598	12,984,406
Mark-up / return / interest expensed	4,376,489	3,885,560
Net mark-up / interest income	8,726,109	9,098,846
Provision against loans and advances - net	864,533	1,791,347
Provision / (reversal) for diminution in the value of investments - net	123,979	(49,024)
Bad debts written off directly	13,760	453
	1,002,272	1,742,776
Net mark-up / interest income after provisions	7,723,837	7,356,070
Non mark-up / interest income		
Fee, commission and brokerage income	972,024	847,485
Income from trustee ship	5,356	4,011
Dividend income	112,999	67,683
Income from dealing in foreign currencies	117,299	436,540
Gain on sale of securities - net	17,974	94,510
Unrealized gain on revaluation of investments classified as held for trading	19,676	15,031
Other income	222,354	227,780
Total non mark-up / interest income	1,467,682	1,693,040
	9,191,519	9,049,110
Non-mark-up / interest expenses		
Administrative expenses	2,682,772	2,624,483
Other provisions	37	3,108
Other charges	220,539	190,802
Total non mark-up/interest expenses	2,903,348	2,818,393
Share of profit of associated undertaking	98,878	138,922
	6,387,049	6,369,639
Extra ordinary / unusual item	-	-
Profit before taxation	6,387,049	6,369,639
Taxation - current period	1,985,657	2,156,742
- prior years	-	(62,500)
- deferred	134,217	10,407
Share of tax of associated undertaking	25,541	11,006
	2,145,415	2,115,655
Profit after taxation	4,241,634	4,253,984
Share of profit attributable to minority interest	(2)	(3)
Profit attributable to ordinary shareholders	4,241,632	4,253,981
	----- (Rupees) -----	
Earnings per share - basic and diluted	5.58	5.60

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


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Director

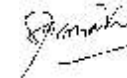


Consolidated Condensed Interim Cash Flow Statement (Un-audited)
For the three months period ended March 31, 2010

	March 31, 2010	March 31, 2009
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	6,387,049	6,369,639
Less: Dividend income & share of profit of associated undertaking	(211,877)	(206,605)
Adjustments for non-cash charges	6,175,172	6,163,034
Depreciation	243,338	194,931
Amortization	31,590	48,000
Provision against loans and advances - net	864,533	1,791,347
Provision / (reversal) for diminution in the value of investments - net	123,979	(49,024)
Other provisions	37	3,108
Bad debts written off directly	13,760	453
Gain on disposal of fixed assets	(115)	(7,510)
Unrealized gain on revaluation of investments classified as held for trading	(19,676)	(15,031)
	1,257,446	1,966,274
(Increase) / decrease in operating assets	7,432,618	8,129,308
Lendings to financial institutions	(2,459,525)	(7,187,804)
Net investment in held for trading securities	(3,460)	(121,246)
Advances - net	10,156,386	16,569,900
Other assets - net	(2,496,742)	786,521
	5,196,659	10,047,371
Increase / (decrease) in operating liabilities	(1,636,845)	(3,111,619)
Bills payable	(33,206,708)	7,583,092
Borrowings	23,939,810	8,032,326
Deposits and other accounts	585,388	(4,327,402)
Other liabilities	(10,318,355)	8,176,397
	2,310,922	26,353,076
Income tax paid	(6,200,372)	(1,682,568)
Net cash flows from operating activities	(3,889,450)	24,670,508
Cash flows from investing activities		
Net investments in available-for-sale securities	10,430,732	(17,938,619)
Net investments in held-to-maturity securities	320,849	(9,243,831)
Dividend income received	79,602	47,453
Investment in operating fixed assets - net of disposals	(278,155)	(503,016)
Net cash flows from investing activities	10,553,028	(27,638,013)
Cash flows from financing activities		
Dividend paid	(2,116,187)	(1,577,939)
Net cash flows from financing activities	(2,116,187)	(1,577,939)
Exchange difference on translation of net investment in foreign branches	(1,737)	(16,528)
Increase in cash and cash equivalents	4,545,654	(4,561,972)
Cash and cash equivalents at January 1	44,852,225	43,737,745
Cash and cash equivalents at March 31	49,397,879	39,175,773

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


Atif Bajwa
President and Chief Executive


Sarmad Amin
Director


Abdul Farid Bin Alias
Director

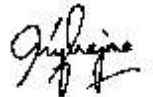

Aftab Ahmad Khan
Director



Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the three months period ended March 31, 2010

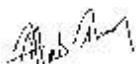
	Capital Reserves			Revenue Reserves			Sub total	Minority interest	Total
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit			
----- (Rupees in '000) -----									
Balance as at January 01, 2009	6,282,768	9,702,528	192,242	8,277,551	18,600,000	11,065,723	54,120,812	69	54,120,881
Change in equity for three months ended March 31, 2009									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,344	5,344	-	5,344
Exchange differences on translation of net investment in foreign branches	-	-	(16,528)	-	-	-	(16,528)	-	(16,528)
Net income recognised directly in equity	-	-	(16,528)	-	-	5,344	(11,184)	-	(11,184)
Profit after taxation for Three months period ended March 31, 2009	-	-	-	-	-	4,253,984	4,253,984	-	4,253,984
Share of profit attributable to minority interest	-	-	-	-	-	(3)	(3)	3	-
Total comprehensive income for the period ended March 31, 2009	-	-	(16,528)	-	-	4,259,325	4,242,797	3	4,242,800
Transferred to statutory reserve	-	-	-	413,497	-	(413,497)	-	-	-
issue of bonus shares - December 31, 2008	628,277	-	-	-	-	(628,277)	-	-	-
Final cash dividend - December 31, 2008	-	-	-	-	-	(1,570,692)	(1,570,692)	-	(1,570,692)
Balance as at March 31, 2009	6,911,045	9,702,528	175,714	8,691,048	18,600,000	12,712,582	56,792,917	72	56,792,989
Change in equity for nine months ended December 31, 2009									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	17,030	17,030	-	17,030
Exchange differences on translation of net investment in foreign branches	-	-	82,333	-	-	-	82,333	-	82,333
Net income recognised directly in equity	-	-	82,333	-	-	17,030	99,363	-	99,363
Profit after taxation for nine months period ended December 31, 2009	-	-	-	-	-	11,411,419	11,411,419	-	11,411,419
Share of profit attributable to minority interest	-	-	-	-	-	(1)	(1)	1	-
Total comprehensive income for the period ended December 31, 2009	-	-	82,333	-	-	11,428,448	11,510,781	1	11,510,782
Transferred to statutory reserve	-	-	-	1,136,033	-	(1,136,033)	-	-	-
Dividend attributable to minority share holders	-	-	-	-	-	-	-	(2)	(2)
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)	(1,727,781)	-	(1,727,781)
Interim cash dividend - June 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)	-	(1,727,773)
Interim cash dividend - September 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)	-	(1,727,773)
Balance as at December 31, 2009	6,911,045	9,702,528	258,047	9,827,081	18,600,000	17,821,670	63,120,371	71	63,120,442
Change in equity for three months ended March 31, 2009									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,461	5,461	-	5,461
Exchange differences on translation of net investment in foreign branches	-	-	(1,737)	-	-	-	(1,737)	-	(1,737)
Net income recognised directly in equity	-	-	(1,737)	-	-	5,461	3,724	-	3,724
Profit after taxation for three months period ended March 31, 2010	-	-	-	-	-	4,241,634	4,241,634	-	4,241,634
Share of profit attributable to minority interest	-	-	-	-	-	(2)	(2)	2	-
Total comprehensive income for the period ended March 31, 2010	-	-	(1,737)	-	-	4,247,093	4,245,356	2	4,245,358
Transferred to statutory reserve	-	-	-	414,115	-	(414,115)	-	-	-
issue of bonus shares - December 31, 2009	691,105	-	-	-	-	(691,105)	-	-	-
Final cash dividend - December 31, 2009	-	-	-	-	-	(2,418,866)	(2,418,866)	-	(2,418,866)
Balance as at March 31, 2010	7,602,150	9,702,528	256,310	10,241,196	18,600,000	18,544,677	64,946,861	73	64,946,934

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


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President and Chief Executive


Sarmad Amin
Director


Abdul Farid Bin Alias
Director


Aftab Ahmad Khan
Director



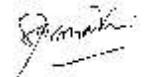
Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the three months period ended March 31, 2010

	Quarter ended March 31, 2010 ------(Rupees '000') -----	Quarter ended March 31, 2009
Profit after tax for the period	4,241,634	4,253,984
Other comprehensive income		
Effect of translation of net investment in foreign branches	(1,737)	(16,528)
Surplus on revaluation of fixed assets relating to incremental depreciation	8,402	8,222
Income tax relating to incremental depreciation on revaluation of fixed assets	(2,941)	(2,878)
Total comprehensive income for the period	4,245,358	4,242,800

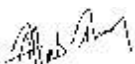
Surplus/ deficit on revaluation of 'Available for sale' securities and 'fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated 04 August 2000 and BSD circular 10 dated 13 July 2004 and Companies Ordinance, 1984 respectively.

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


Atif Bajwa
President and Chief Executive


Sarmad Amin
Director


Abdul Farid Bin Alias
Director


Aftab Ahmad Khan
Director



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

For the three months period ended March 31, 2010

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company

- MCB Bank Limited

Subsidiary Companies

- MCB Financial Services Limited

- MNET Services (Private) Limited

- MCB Trade Services Limited

- MCB Asset Management Company Limited

- MCB 'Closed' Joint Stock Company

"Percentage holding of
MCB Bank Limited"

99.99%

99.95%

100%

99.99%

95.00%

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depositary Receipts (GDRs) (representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg, Lahore, respectively. The Bank operates 1,072 branches including 11 Islamic banking branches (December 31, 2009: 1,074 branches including 11 Islamic banking branches) with in Pakistan and 7 (December 31, 2009: 7) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

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

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

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

a) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the unaudited financial statements for the period ended March 31, 2009 and the carrying value of investments held by the bank is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.

b) Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost, thereafter adjusted for the post-acquisition change in the Group's share of net assets of the associate. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associate has been accounted for based on the financial statements for the period ended March 31, 2009.



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

For the three months period ended March 31, 2010

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

3 STATEMENT OF COMPLIANCE

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

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these 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 statements required for full annual financial statements, and these Consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2009.

4 BASIS OR MEASUREMENT

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

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

5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

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

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

6 CRITICAL 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, 2009.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Call money lendings	1,221,280	3,000,000
Repurchase agreement lendings	4,238,245	-
	<u>5,459,525</u>	<u>3,000,000</u>



Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the three months period ended March 31, 2010

8 INVESTMENTS - NET

8.1 Investments by types

		March 31, 2010		
		Held by bank	Given as collateral	Total
----- Rupees in 000 -----				
Held-for-trading securities		335,458	-	335,458
Available-for-sale securities	8.2	144,784,204	-	144,784,204
Held-to-maturity securities	8.2	13,458,393	-	13,458,393
		158,578,055	-	158,578,055
Adamjee Insurance Company Limited	8.3	3,485,479	-	3,485,479
First Women Bank Limited		63,300	-	63,300
		3,548,779	-	3,548,779
Investments at cost		162,126,834	-	162,126,834
Less: Provision for diminution in the value of investments		(3,673,652)	-	(3,673,652)
Investments (net of provisions)		158,453,182	-	158,453,182
Surplus on revaluation of available for sale securities - net		993,910	-	993,910
Surplus on revaluation of held-for-trading securities - net		19,676	-	19,676
Investments at revalued amounts - net of provisions		159,466,768	-	159,466,768

		December 31, 2009		
		Held by bank	Given as collateral	Total
----- Rupees in 000 -----				
Held-for-trading securities		320,488	-	320,488
Available-for-sale securities	8.2	123,838,258	31,513,525	155,351,783
Held-to-maturity securities	8.2	13,643,204	136,038	13,779,242
		137,801,950	31,649,563	169,451,513
Adamjee Insurance Company Limited	8.3	3,339,710	-	3,339,710
First Women Bank Limited		63,300	-	63,300
		3,403,010	-	3,403,010
Investments at cost		141,204,960	31,649,563	172,854,523
Less: Provision for diminution in the value of investments		(3,686,520)	-	(3,686,520)
Investments (net of provisions)		137,518,440	31,649,563	169,168,003
Surplus / (deficit) on revaluation of available for sale securities - net		331,588	(26,454)	305,134
Surplus on revaluation of held-for-trading securities - net		11,510	-	11,510
Investments at revalued amounts - net of provisions		137,861,538	31,623,109	169,484,647



Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the three months period ended March 31, 2010

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

8.3 Investment of the 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, 2010 amounted to Rs. 3,998.757 million (December 31, 2009: Rs. 4,039.049 million).

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Opening Balance	3,339,710	2,511,489
Share of profit before tax	98,878	200,196
Dividend from Associate	-	(78,917)
Share of tax	(25,541)	(464)
	73,337	120,815
Share of unrealised surplus on assets - net of tax	72,432	707,406
Closing balance	3,485,479	3,339,710

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

9 ADVANCES - NET

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	237,883,181	247,718,210
- Outside Pakistan	7,310,501	7,788,234
	245,193,682	255,506,444
Net Investment in finance lease		
- In Pakistan	3,459,594	3,866,801
- Outside Pakistan	66,072	65,492
	3,525,666	3,932,293
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	5,924,893	4,519,520
- Payable outside Pakistan	4,904,474	5,762,777
	10,829,367	10,282,297
Advances - gross	259,548,715	269,721,034
Less: Provision against loans and advances		
- Specific provision	(16,591,854)	(15,678,345)
- General provision	(259,550)	(269,722)
- General provision against consumer loans	(453,457)	(494,434)
- General Provision for potential lease losses (in Sri Lanka Operations)	(30,268)	(30,268)
	(17,335,129)	(16,472,769)
Advances - net of provision	242,213,586	253,248,265



Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the three months period ended March 31, 2010

9.1 Advances include Rs. 23,311.987 million (December 31, 2009: Rs. 23,238.723 million) which have been placed under non-performing status as detailed below:

March 31, 2010					
Category of Classification	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM) 9.1.1	71,049	-	71,049	-	-
Substandard	1,729,231	46,832	1,776,063	402,438	402,438
Doubtful	4,424,754	21,982	4,446,736	2,097,596	2,097,596
Loss	13,056,771	3,961,368	17,018,139	14,091,820	14,091,820
	19,281,805	4,030,182	23,311,987	16,591,854	16,591,854
December 31, 2009					
Category of Classification	Classified Advances			Specific Provision Required	Specific Provision Held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM) 9.1.1	76,933	-	76,933	-	-
Substandard	2,960,881	24,728	2,985,609	696,740	696,740
Doubtful	4,242,845	-	4,242,845	1,920,370	1,920,370
Loss	11,965,808	3,967,528	15,933,336	13,061,235	13,061,235
	19,246,467	3,992,256	23,238,723	15,678,345	15,678,345

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

10 BORROWINGS

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
In Pakistan	10,704,984	43,658,408
Outside Pakistan	750,396	1,003,680
	11,455,380	44,662,088
	----- (Rupees in '000) -----	
10.1 Details of borrowings (secured / unsecured)		
Secured		
Borrowings from State Bank of Pakistan		
Export refinance scheme	8,664,037	8,829,527
Long term financing facility	-	80,220
Long term financing - export oriented projects scheme	2,040,947	2,018,330
	10,704,984	10,928,077
Borrowings from other financial institutions	420,911	452,398
Repurchase agreement borrowings	115,009	31,606,331
	535,920	32,058,729
	11,240,904	42,986,806
Unsecured		
Overdrawn nostro accounts	214,476	1,146,092
Call borrowings	-	529,190
	214,476	1,675,282
	11,455,380	44,662,088



Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the three months period ended March 31, 2010

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
11 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	65,658,915	62,651,531
Savings deposits	188,495,493	173,773,442
Current accounts - non remunerative	130,159,872	123,898,324
Margin accounts	2,851,256	2,910,655
Others	10	767
	387,165,546	363,234,719
Financial institutions		
Remunerative deposits	2,241,062	2,258,295
Non-remunerative deposits	2,114,277	2,088,061
	4,355,339	4,346,356
	391,520,885	367,581,075
	----- (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	501,224	504,200
Accelerated tax depreciation	749,945	756,384
Receivable from pension fund	3,582,713	3,262,911
Net investment in finance lease receivable	184,090	301,166
Surplus on revaluation of securities	7,062	-
	5,025,034	4,824,661
Deductible temporary differences on:		
Deficit on revaluation of securities	-	(90,053)
Provision for bad debts	(1,160,455)	(1,084,974)
Provision for gratuity	(399)	(399)
Provision for contributory benevolent scheme	(41,227)	(46,604)
Provision for post retirement medical benefits	(388,940)	(399,420)
Others	(923)	(1,455)
	(1,591,944)	(1,622,905)
	3,433,090	3,201,756

12.1 The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable up to a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances can be carried over to succeeding years. However the management, based on the projections prepared by the Bank, is of the view that it would be able to get deduction of provision in excess of 1% of total advances and accordingly has recognised deferred tax amounting to Rs. 1,160.238 million on such provisions.

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:
- Government
- Banks and financial institutions
- Others
Suppliers credit / payee guarantee

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
	4,325,627	6,027,243
	7,416,149	11,312,597
	6,376,276	4,755,380
	2,363,716	2,421,640
	20,481,768	24,516,860
	51,732,855	47,577,037

13.2 Trade-related contingent liabilities



Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the three months period ended March 31, 2010

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	
13.3 Other contingencies		
Claims against the Bank not acknowledged as debts	541,469	542,415
13.4 Commitments to extend credit		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
13.5 Commitments in respect of forward foreign exchange contracts		
Purchase	30,866,382	23,832,214
Sale	36,557,378	23,037,004
13.6 Commitments for the acquisition of fixed assets	-	-
13.7 Other commitments		
Cross currency swaps (notional amount)	239,690	249,690
Interest rate swaps (notional amount)	166,667	166,667
FX Option (notional amount)	1,085,737	-
Forward outright sale of Government Securities	50,000	-

13.8 Taxation

The income tax assessments of the Bank have been finalized upto and including the Tax Year 2009. For the Tax Years 2003 to 2008, the department has amended the assessments on certain issues against which the Bank has filed appeal before the Commissioner of Income Tax (Appeals). In respect of the Tax Year 2003 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided the matter in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). The management and the Bank's legal counsel are of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities. For Tax Year 2007, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 716.713 million against which the legal/apellate course from the Bank has reached ITAT level.

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

	Three months ended	
	March 31, 2010	March 31, 2009
	---- (Rupees in '000) ----	
14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	4,241,632	4,253,981
	Number of shares	
Weighted average number of shares outstanding during the period	760,214,980	760,214,980
	Rupees	
Basic and diluted Earnings per share - after tax	5.58	5.60

15 CREDIT RATING

PACRA through its notification in June 2009, has assigned long term credit rating of AA+ [double A plus] and short-term credit rating of A1+ [A one plus] to the Bank.



Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the three months period ended March 31, 2010

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Three months ended March 31, 2010					
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Eliminations
	----- (Rupees in '000) -----					
Total income	14,536	3,848,803	5,975,088	4,801,126	59,074	(29,469)
Total expenses	(6,404)	(472,985)	(7,261,805)	(540,398)	(29,986)	29,469
Income tax expense	-	-	-	-	-	-
Net income	8,132	3,375,818	(1,286,717)	4,260,728	29,088	-
Segment assets - (Gross of NPLs Provisions)	30,465	186,171,083	116,138,348	211,443,690	469,486	(551,717)
Provision for taxation	-	-	-	-	-	-
Total assets	30,465	186,171,083	116,138,348	211,443,690	469,486	(551,717)
Segment non performing loans	-	-	7,422,330	15,889,657	-	-
Segment specific provision required	-	-	5,282,699	11,309,155	-	-
Segment liabilities	-	157,823,404	92,113,362	172,161,318	450,084	(551,717)
Deferred tax liabilities - net	-	-	-	-	-	-
Total liabilities - net	-	157,823,404	92,113,362	172,161,318	450,084	(551,717)
Segment return on assets (ROA) (%)	-	7.25%	-4.64%	8.52%	24.78%	-
Segment cost of fund (%)	-	11.56%	3.84%	3.58%	-	-

	Three months ended March 31, 2009					
Total income	11,482	2,150,450	9,472,388	3,226,267	41,910	(53,627)
Total expenses	(8,839)	(525,018)	(6,990,184)	(984,514)	(24,303)	53,627
Income tax expense	-	-	-	-	-	-
Net income	2,643	1,625,432	2,482,204	2,241,753	17,607	-
Segment assets - (Gross of NPLs provision)	23,976	127,746,758	139,728,311	190,662,243	432,309	(473,519)
Total assets	23,976	127,746,758	139,728,311	190,662,243	432,309	(473,519)
Segment non performing loans	-	-	7,408,079	12,082,025	-	-
Segment specific provision required	-	-	4,411,337	7,194,025	-	-
Segment liabilities	-	111,516,763	116,418,483	164,028,187	30,509	(473,519)
Deferred tax assets	-	-	-	-	-	-
Provision for taxation	-	-	-	-	-	-
Total liabilities - net	-	111,516,763	116,418,483	164,028,187	30,509	(473,519)
Segment return on assets (ROA) (%)	-	7.84%	5.33%	4.45%	16.29%	-
Segment cost of fund (%)	-	9.62%	2.06%	3.06%	-	-



Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the three months period ended March 31, 2010

17 RELATED PARTY TRANSACTIONS

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

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

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

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

Deposits

Deposits at beginning of the period / year	1,388,118	425,898	886,744	286,055	10,490,252
Deposits received during the period / year	10,939,436	19,095,688	21,079,997	69,703,084	59,816,048
Deposits repaid during the period / year	(9,882,081)	(18,133,468)	(21,245,932)	(69,102,395)	(52,796,333)
Deposits at the end of the period / year	2,445,473	1,388,118	720,809	886,744	17,509,967

Receivable from Pension Fund

Directors		Associated companies		Other Related Parties	
March 31, 2010	March / December 31, 2009	March 31, 2010	March / December 31, 2009	March 31, 2010	March / December 31, 2009
----- (Rupees in '000) -----					
				10,197,304	9,322,304

Adamjee Insurance Company Limited

Insurance claim settled	-	-	16,930	18,613	-
Dividend income	-	-	-	29,780	-

Mayban International Trust (Labuan) Berhad

Dividend paid	-	-	483,773	314,138	-
Bonus shares issued	-	-	138,221	125,655	-
Forward foreign exchange contracts (Notional)	-	-	1,384,467	3,408,431	-
Unrealized loss on forward foreign exchange contracts	-	-	7,482	36,213	-

MCB Employees Foundation

- Service expenses	-	-	-	4,430	4,279
- Cash sorting expenses	-	-	-	6,499	4,890
- Stationary expenses	-	-	-	30,197	28,685
- Cash in transit expenses	-	-	-	218	673

MCB Employees Security System & Services (Private) Limited

- Security guard expenses	-	-	-	37,561	31,209
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Others

- Remuneration of key management personnel	12,526	11,419	-	35,797	26,299
- Miscellaneous expenses	-	-	-	39,586	25,931
- Contribution to provident fund	-	-	-	37,450	35,540

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 Information (Un-audited)
For the three months period ended March 31, 2010

18 ISLAMIC BANKING BUSINESS

The balance sheet of the Bank's Islamic Banking business as at March 31, 2010 is as follows:

	March 31, 2010	December 31, 2009
	----- (Rupees in '000) -----	-----
Assets		
Cash and balances with treasury banks	333,476	315,766
Investments - net	1,601,047	1,671,364
Financing and receivables		
- Murabaha	2,364,035	1,466,368
- Ijara	648,529	771,734
- Islamic export refinance	1,366,739	1,239,498
Deferred tax assets	2,484	1,352
Other assets	1,888,541	2,725,991
	8,204,851	8,192,073
Liabilities		
Bills payable	14,828	15,779
Deposits and other accounts		
- Current accounts	242,116	231,793
- Saving accounts	1,931,398	1,450,493
- Term deposits	439,020	271,760
- Others	4,497	2,790
Borrowing from SBP	1,344,000	1,137,307
Due to head office	3,000,000	3,600,000
Other liabilities	316,173	420,598
	7,292,032	7,130,520
	912,819	1,061,553
Net assets		
Represented by:		
Islamic Banking Fund	850,000	850,000
Unappropriated profit	67,432	214,064
	917,432	1,064,064
Surplus / (deficit) on revaluation of assets - net of tax	(4,613)	(2,511)
	912,819	1,061,553
Charity fund		
Opening balance	1,998	2,093
Additions during the period / year	461	1,405
Payments/ utilization during the period / year	-	(1,500)
Closing balance	2,459	1,998



Notes to the Consolidated Condensed Interim Financial Information (Un-audited)
For the three months period ended March 31, 2010

The profit and loss account of the Bank's Islamic banking business for the three months period ended March 31, 2010 is as follows:

	Quarter ended March 31, 2010	Quarter ended March 31, 2009
	----- (Rupees in '000) -----	
Income / return / profit earned	273,068	312,277
Income / return / profit expensed	184,744	186,055
Net Income / Profit	88,324	126,222
Provision against loans and advances - net	(20)	35,888
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	(20)	35,888
Net profit / income after provisions	88,344	90,334
Other income		
Fees, commission and brokerage income	7,852	2,196
Dividend income	-	-
Income from dealing in foreign currencies	1,620	1,091
Other Income	14,412	2,957
Total other income	23,884	6,244
	112,228	96,578
Other expenses		
Administrative expenses	44,796	23,243
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	-	-
Total other expenses	44,796	23,243
Extra ordinary / unusual items	-	-
Profit before taxation	67,432	73,335
Remuneration to Shariah Advisor / Board	316	310

19 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Comparative figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on April 21, 2010 has announced cash dividend in respect of the three months period ended March 31, 2010 of Rs. 2.5 per share (March 31, 2009: Rs 2.50 per share). These Consolidated condensed interim financial statements for the three months period ended March 31, 2010 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

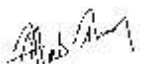
21 DATE OF AUTHORIZATION FOR ISSUE

These Consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on April 21, 2010 .


Atif Bajwa
President and Chief Executive


Sarmad Amin
Director


Abdul Farid Bin Alias
Director


Aftab Ahmad Khan
Director