



*Bank for Life*



#### ***Our Vision***

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

#### ***Our Mission***

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

#### ***Our Values***

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

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



MCB Bank Limited  
CORPORATE PROFILE

BOARD OF DIRECTORS:

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

AUDIT COMMITTEE:

<b>Tariq Rafi</b>	<b>Chairman</b>
Aftab Ahmad Khan	Member
Dato' Seri Ismail Shahudin	Member
Ahmad Alman Aslam	Member

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



## DIRECTORS' REPORT - JUNE 2012

I am pleased to place before you, on behalf of the Board of Directors, the half yearly financial statements of MCB Bank Limited for the period ended June 30, 2012.

### Financial Highlights

#### Profit Before Taxation

#### Profit After Taxation

Un-appropriated Profit Brought Forward

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

#### Profit Available for Appropriation

##### Appropriations:

Statutory Reserve

Final Cash Dividend – December 2011

Issue of Bonus Shares – December 2011

Interim Cash Dividend – March 2012

Total Appropriations

#### Un-appropriated Profit Carried Forward

Rs. in Million

**17,259**  
(5,934)

**11,325**

28,366

18

28,384

**39,709**

1,132

2,509

836

2,759

7,236

**32,473**

### Performance Review

The Bank registered remarkable performance in the first half as profit before and after tax increased to Rs. 17.259 billion and Rs. 11.326 billion respectively, increasing by 7% over the corresponding period last year. Net markup income of the Bank decreased by 6% over June 2011 whereas non-markup income increased by 25% to Rs. 5.195 billion. On the operating expenses side, gross administrative expenses (excluding the impact of pension fund reversal) increased by a controlled growth of 11% over June 2011, whereas provisions significantly decreased by 84% to Rs. 400 million.

The asset base of the Bank grew to Rs. 686.103 billion from Rs. 653.233 billion as at year end 2011. Advances (gross) of the Bank registered a growth of 6% over December 31, 2011, increasing to Rs. 263.662 billion. The classified portfolio of the Bank decreased by 1% owing to effective risk management framework adopted by the Bank, improving the quality of advances and taking the infection ratio to 10% from 10.75% as at December 31, 2011. The net investment portfolio increased by 3% over December 2011 to Rs. 327.513 billion. The deposit base of the Bank went up by 8%, with 13% and 9% increase reported in current and saving deposits respectively, improving the CASA percentage to 83% from 81% as of December 31, 2011.

Earnings per share (EPS) for the period was reported at Rs. 12.31 compared to Rs. 11.49 for the corresponding period last year. Return on assets and return on equity improved to 3.38% (2011: 3.18%) and 27.68% (2011: 26.23%).

### Ratings

PACRA maintained the long term credit rating of AA+ [double A plus] and short term credit rating of A1+ [A one plus] of the Bank, through its notification in June 2012 (2011: Long term: AA+ [double A plus] and Short term: A1+ [Aone plus]).

### Economy Review

Although there were some positive signs for the economy in terms of GDP growth, yet a number of inhibiting factors continued to hinder growth and development. Low growth and double digit inflation made worse by a



sharp rise in food prices, increased the number of those below the poverty line. The government continued its efforts to provide a safety net for the poorest but the magnitude of the problem made it difficult to make a meaningful difference. On the positive side, foreign remittances continued to grow and are currently averaging \$ one billion per month. However, investor concerns related to energy, governance and persistent global recession kept away both foreign and domestic investment. Higher prices for imported oil and lower prices for exported cotton/textiles, which account for nearly half of our export earnings, contributed heavily to the rising current account deficit. If we are to spur economic growth we must accord the highest priority to resolving our crippling energy problems, increase the tax to GDP ratio and manage subsidies more prudently. In the long term, we must plan to fully realize the potential of a young population by investing in education and healthcare to produce a more valuable and productive human resource.

In the midst of this rather grim scenario, the banking sector showed remarkable resilience and remained the most stable sector in the economy. However, banks found it convenient to rely heavily on high levels of government's borrowing. This worked to the disadvantage of private sector entrepreneurs. In an environment where there was low credit appetite of the private sector to start with, this was surely bad news for the economy.

Yet the outlook need not be gloomy. A recent IMF diagnosis of Pakistan's economy notes the 'abundant potential' which needs to be realized. Pakistan is located in an economically dynamic neighborhood, it can benefit massively from increased regional trade and has the potential demographic dividend of a young population.

The challenges which we must contend with in the coming years will be daunting, and we will need an unwavering commitment to good governance, sustained efforts to rid ourselves of structural impediments such as shortage and high cost of energy and policies designed to develop Pakistan into a regional trading hub for south and central Asia. Admittedly a tall order, but not one we can afford to ignore.

### Future Outlook

Moving forward, unless the adversities are settled, there remains little room for foreign investments and injections in the economy. Main industries have already suffered the loss on part of power shortages and lack of government support. Low tax to GDP ratio, rising deficit, impact of negative parity on exchange rates and debt repayments is putting the economy under further strain. Although equity market has performed exceptionally well in the first half of 2012, necessary measures should be adopted to repose international confidence going forward.

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

### Acknowledgement

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

on behalf of Directors

*Mian Mohammad Mansha*

Mian Mohammad Mansha  
Chairman

August 7, 2012



# INDEPENDENT AUDITORS' REPORT ON REVIEW OF UN-CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

## Introduction

We have reviewed the accompanying un-consolidated condensed interim statement of financial position of MCB Bank Limited as at June 30, 2012 and the related un-consolidated condensed interim profit and loss account, un-consolidated condensed interim statement of comprehensive income, un-consolidated condensed interim cash flow statement, un-consolidated condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "un-consolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this un-consolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this un-consolidated condensed interim financial information based on our review. The figures of the un-consolidated condensed interim profit and loss account and un-consolidated condensed interim statement of comprehensive income for the quarters ended June 30, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2012. The un-consolidated condensed interim financial information incorporate the returns received from overseas branches which have not been reviewed by the auditors of these branches.

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying un-consolidated condensed interim financial information as of and for the half year ended June 30, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

## Chartered Accountants

Name of engagement partner: Imran Farooq Mian

Lahore.

August 7, 2012



# Unconsolidated Condensed Interim Statement of Financial Position (Un-audited) As at June 30, 2012

		Unaudited June 30, 2012 (Rupees in thousand)	Audited December 31, 2011
	Note		
<b>Assets</b>			
Cash and balances with treasury banks		52,771,203	53,122,522
Balances with other banks		3,158,970	2,281,263
Lendings to financial institutions	7	31,824	955,087
Investments - net	8	327,513,153	316,651,613
Advances - net	9	240,953,516	225,720,011
Operating fixed assets		23,645,210	22,007,903
Deferred tax assets - net		-	-
Other assets - net		38,028,988	32,494,824
		686,102,864	653,233,223
<b>Liabilities</b>			
Bills payable		9,679,174	9,466,818
Borrowings	10	27,522,729	39,100,627
Deposits and other accounts	11	529,365,645	491,188,710
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	6,813,414	6,294,886
Other liabilities		17,896,122	18,379,700
		591,277,084	564,430,741
<b>Net assets</b>		<b>94,825,780</b>	<b>88,802,482</b>
<b>Represented by</b>			
Share capital		9,198,601	8,362,365
Reserves		43,102,881	42,186,467
Un-appropriated profit		32,472,613	28,366,171
		84,774,095	78,915,003
Surplus on revaluation of assets - net of tax		10,051,685	9,887,479
		94,825,780	88,802,482

## Contingencies and commitments

13

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

  
M.U.A. Usmani  
President / CEO

  
Abdul Farid Bin Alias  
Director

  
S.M. Muneer  
Director

  
Ahmad Alman Aslam  
Director



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

For the half year ended June 30, 2012

	Quarter ended June 30, 2012	Half year ended June 30, 2012	Quarter ended June 30, 2011	Half year ended June 30, 2011	
Note	(Rupees in thousand)				
Mark-up / return / interest earned	16,947,195	34,492,401	16,882,345	32,842,383	
Mark-up / return / interest expensed	6,740,462	13,587,284	5,578,371	10,615,257	
Net mark-up / interest income	10,206,733	20,905,117	11,303,974	22,227,126	
Provision against loans and advances - net	333,186	407,718	1,237,522	2,239,826	
Provision / (reversal) for diminution in the value of investments - net	(8,471)	(7,880)	9,481	196,658	
Bad debts written off directly	43	163	(5,101)	2,293	
	324,758	400,001	1,241,902	2,438,777	
Net mark-up / interest income after provisions	9,881,975	20,505,116	10,062,072	19,788,349	
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income	1,432,784	2,895,254	1,256,670	2,438,958	
Dividend income	291,608	796,725	163,488	352,003	
Income from dealing in foreign currencies	246,017	501,285	272,369	486,364	
Gain on sale of securities - net	669,122	724,558	302,725	581,173	
Unrealized gain / (loss) on revaluation of investments classified as held for trading	1,277	(209)	-	-	
Other income	141,121	277,815	149,353	294,125	
Total non mark-up / interest income	2,781,929	5,195,428	2,144,605	4,152,623	
	12,663,904	25,700,544	12,206,677	23,940,972	
<b>Non-mark-up / interest expenses</b>					
Administrative expenses	4,086,730	8,210,226	3,490,190	7,159,170	
Other provisions / (reversals)	35,200	50,975	5,928	(7,835)	
Other charges	(60,997)	180,139	384,914	627,619	
Total non mark-up / interest expenses	4,060,933	8,441,340	3,881,032	7,778,954	
	8,602,971	17,259,204	8,325,645	16,162,018	
Extra ordinary / unusual item	-	-	-	-	
<b>Profit before taxation</b>	8,602,971	17,259,204	8,325,645	16,162,018	
Taxation - current period	2,412,565	5,182,040	2,332,358	5,038,032	
- prior years	116,725	116,725	-	-	
- deferred	392,185	634,802	445,492	552,574	
	2,921,475	5,933,567	2,777,850	5,590,606	
<b>Profit after taxation</b>	5,681,496	11,325,637	5,547,795	10,571,412	
Earnings per share - basic and diluted - Rupees	14	6.18	12.31	6.03	11.49

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

M.U.A. Usmani  
President / CEO

Abdul Farid Bin Alias  
Director

S.M. Muneer  
Director

Ahmad Alman Aslam  
Director



## Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended June 30, 2012

	Quarter ended June 30, 2012	Half year ended June 30, 2012 (Rupees in thousand)	Quarter ended June 30, 2011	Half year ended June 30, 2011
<b>Profit after tax for the period</b>	5,681,496	11,325,637	5,547,795	10,571,412
<b>Other comprehensive income</b>				
Effect of translation of net investment in foreign branches	28,790	(216,150)	37,489	42,262
<b>Comprehensive income transferred to equity</b>	5,710,286	11,109,487	5,585,284	10,613,674
<b>Components of comprehensive income not reflected in equity</b>				
Net change in fair value of available for sale securities	(672,955)	65,831	(202,660)	(168,514)
Deferred tax	117,257	116,272	19,654	(60,440)
	(555,698)	182,103	(183,006)	(228,954)
<b>Total comprehensive income for the period</b>	5,154,588	11,291,590	5,402,278	10,384,720

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

M.U.A. Usmani  
President / CEO

Abdul Farid Bin Alias  
Director

S.M. Muneer  
Director

Ahmad Alman Aslam  
Director





# Unconsolidated Condensed Interim Cash Flow Statement (Un-audited) For the half year ended June 30, 2012

## Cash flows from operating activities

Profit before taxation  
Less: Dividend income

Adjustments for non-cash charges  
Depreciation

Amortization

Provision against loans and advances - net

Provision / (reversal) for diminution in the value of investments - net

Other provisions / (reversals)

Bad debts written off directly

Unrealized loss on revaluation of investments classified as held for trading

Gain on disposal of fixed assets - net

(Increase) / decrease in operating assets

Lendings to financial institutions

Net investment in held for trading securities

Advances - net

Other assets - net

Increase / (decrease) in operating liabilities

Bills payable

Borrowings

Deposits and other accounts

Other liabilities

Income tax paid

## Net cash flows from operating activities

## Cash flows from investing activities

Net investments in available-for-sale securities

Net investments in held-to-maturity securities

Investment in associated undertaking

Dividend income received

Sale proceeds of property and equipment disposed off

Investment in operating fixed assets

## Net cash flows from investing activities

## Cash flows from financing activities

Dividend paid

## Net cash flows from financing activities

Exchange difference on translation of net investment in foreign branches

## Increase in cash and cash equivalents

Cash and cash equivalents at beginning of the period

Cash and cash equivalents at end of period

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



# Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the half year ended June 30, 2012

## Balance as at December 31, 2010

## Change in equity for six months ended June 30, 2011

Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Exchange differences on translation of net investment in foreign branches

Profit after taxation for six months period ended June 30, 2011

Total comprehensive income for the period ended June 30, 2011

Transferred to statutory reserve

Transfer to reserve for issue of bonus shares

Issue of bonus shares - December 31, 2010

Final cash dividend - December 31, 2010

Interim cash dividend - March 31, 2011

## Balance as at June 30, 2011

## Change in equity for six months ended December 31, 2011

Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Exchange differences on translation of net investment in foreign branches

Profit after taxation for six months period ended December 31, 2011

Total comprehensive income for the period ended December 31, 2011

Transferred to statutory reserve

Interim cash dividend - June 30, 2011

Interim cash dividend - September 30, 2011

## Balance as at December 31, 2011

## Change in equity for six months ended June 30, 2012

Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax

Exchange differences on translation of net investment in foreign branches

Profit after taxation for six months period ended June 30, 2012

Total comprehensive income for the period ended June 30, 2012

Transferred to statutory reserve

Transfer to reserve for issue of bonus shares

Issue of bonus shares - December 31, 2011

Final cash dividend - December 31, 2011

Interim cash dividend - March 31, 2012

## Balance as at June 30, 2012

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

M.U.A. Usmani  
President / CEO

Abdul Farid Bin Alias  
Director

S.M. Muneer  
Director

Ahmad Alman Aslam  
Director

M.U.A. Usmani  
President / CEO

Abdul Farid Bin Alias  
Director

S.M. Muneer  
Director

Ahmad Alman Aslam  
Director





**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

**8.2** Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2011: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2011: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

**8.3** Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (December 31, 2011: Rs. 943.600 million) as at June 30, 2012 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2012 amounted to Rs. 2,098.963 million (December 31, 2011: Rs. 1,675.927 million).

**9 ADVANCES - NET**

Loans, cash credits, running finances, etc

- In Pakistan
- Outside Pakistan

Net Investment in finance lease

- In Pakistan
- Outside Pakistan

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan
- Payable outside Pakistan

**Advances - gross**

Less: Provision against loans and advances

- Specific provision 9.1
- General provision
- General provision against consumer loans
- General Provision for potential lease losses (in Srilanka Operations)

**Advances - net of provision**

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

237,441,501	223,963,444
11,058,220	10,959,873
248,499,721	234,923,317
1,084,389	1,226,014
172,521	151,463
1,256,910	1,377,477
1,056,003	722,522
12,849,556	11,030,137
13,905,559	11,752,659
263,662,190	248,053,453
(22,250,059)	(21,869,401)
(263,662)	(248,135)
(173,521)	(198,340)
(21,432)	(17,566)
(22,708,674)	(22,333,442)
240,953,516	225,720,011

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

**9.1** Advances include Rs. 26,370.067 million (December 31, 2011: Rs. 26,664.873 million) which have been placed under non-performing status as detailed below:

		June 30, 2012				
Category of Classification	Note	Classified Advances			Specific	Specific
		Domestic	Overseas	Total	Provision Required	Provision Held
		(Rupees in thousand)				
Other Assets Especially						
Mentioned (OAEM)	9.1.1	11,584	-	11,584	-	-
Substandard		1,807,484	-	1,807,484	408,048	408,048
Doubtful		469,830	7,076	476,906	233,331	233,331
Loss		19,603,348	4,470,745	24,074,093	21,608,680	21,608,680
		21,892,246	4,477,821	26,370,067	22,250,059	22,250,059

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

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

**10 BORROWINGS**

	June 30, 2012	December 31, 2011
(Rupees in thousand)		
In Pakistan	24,505,428	37,397,843
Outside Pakistan	3,017,301	1,702,784
	27,522,729	39,100,627

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

**10.1 Details of borrowings (secured / unsecured)**

**Secured**

	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
Borrowings from State Bank of Pakistan	7,593,084	9,903,657
Export refinance scheme	1,521,430	2,026,175
Long term financing facility	1,180,706	949,375
Long term financing - export oriented products scheme	677,884	219,932
Financing Facility for Storage of Agricultural Produce	-	450
Scheme for Revival of SMEs & Agricultural Activities in Flood Affected Areas	10,973,104	13,099,589

Borrowings from other financial institutions  
Repurchase agreement borrowings

	71,233	293,113
	12,842,225	24,781,254
	12,913,458	25,074,367
	23,886,562	38,173,956

**Unsecured**

Overdrawn nostro accounts	640,825	110,532
Call borrowings	2,995,342	816,139
	3,636,167	926,671
	27,522,729	39,100,627

**11 DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	87,813,056	91,501,846
Savings deposits	248,104,002	225,920,953
Current accounts	183,782,355	161,680,596
Margin accounts	3,303,304	3,511,830
	523,002,717	482,615,225

**Financial institutions**

Remunerative deposits	4,213,356	6,319,827
Non-remunerative deposits	2,149,572	2,253,658
	6,362,928	8,573,485
	529,365,645	491,188,710

**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	773,342	782,977
Accelerated tax depreciation	966,447	1,033,028
Receivable from pension fund	5,564,481	5,156,165
Surplus on revaluation of securities	-	49,393
	7,304,270	7,021,563

**Deductible temporary differences on:**

Deficit on revaluation of securities	(66,879)	-
Provision for contributory benevolent scheme	-	(5,655)
Provision for post retirement medical benefits	(281,157)	(306,908)
Provision for bad debts	(142,820)	(414,114)
	(490,856)	(726,677)
	6,813,414	6,294,886

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

**13 CONTINGENCIES AND COMMITMENTS**

**13.1 Direct credit substitutes**

Contingent liabilities in respect of guarantees given favouring

- Government
- Banks and financial institutions
- Others

**13.2 Transaction-related contingent liabilities**

Guarantees in favour of:

- Others
- Suppliers credit / payee guarantee

**13.3 Trade-related contingent liabilities**

**13.4 Other contingencies**

Claims against the Bank not acknowledged as debts

**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	21,393,362	32,395,900
Sale	23,717,581	35,030,445

**13.7 Commitments for the acquisition of fixed assets**

**13.8 Forward outright sale of Government Securities**

**13.9 Taxation**

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

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

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

**14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX**

	June 30, 2012	June 30, 2012
	(Rupees in thousand)	
Profit after taxation	11,325,637	10,571,412
	<b>Number of shares</b>	
Weighted average number of shares outstanding during the period	919,860,123	919,860,123
	<b>Rupees</b>	
Basic and diluted Earnings per share - after tax	12.31	11.49

**15 CREDIT RATING**

PACRA has assigned long-term credit rating of AA+ (double A plus) and short-term credit rating of A1+ (A one plus) to the Bank.



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

For the half year ended June 30, 2012

## 16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Six months ended June 30, 2012				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	(Rupees in thousand)				
Total income	56,893	20,804,071	7,086,678	11,740,187	39,687,829
Total expenses	(15,698)	(2,742,162)	(17,965,798)	(1,704,967)	(22,428,625)
Income tax expense	-	-	-	-	(5,933,567)
<b>Net income</b>	<b>41,195</b>	<b>18,061,909</b>	<b>(10,879,120)</b>	<b>10,035,220</b>	<b>11,325,637</b>
Segment assets - (Gross of NPLs Provisions)	-	355,350,537	136,135,490	206,163,130	697,649,157
Advance tax - net of provision	-	-	-	-	10,703,766
<b>Total assets</b>	<b>-</b>	<b>355,350,537</b>	<b>136,135,490</b>	<b>206,163,130</b>	<b>708,352,923</b>
Segment non performing loans	-	-	7,866,567	18,503,500	26,370,067
Segment specific provision required	-	-	6,637,509	15,612,550	22,250,059
Segment liabilities	-	22,011,878	534,167,953	28,283,839	584,463,670
Deferred tax liabilities - net	-	-	-	-	6,813,414
<b>Total liabilities - net</b>	<b>-</b>	<b>22,011,878</b>	<b>534,167,953</b>	<b>28,283,839</b>	<b>591,277,084</b>
Segment return on assets (%)	-	11.71%	10.94%	12.32%	-
Segment cost of fund (%)	-	11.33%	4.50%	5.97%	-

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



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

For the half year ended June 30, 2012

## 17 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associates, subsidiaries, employee benefit plans and its key management personnel (including their associates)

The Bank enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

Directors		Associates		Subsidiary companies		Other Related Parties		Key management personnel	
Six months ended June 30, 2012	Year ended Dec 31, 2011	Six months ended June 30, 2012	Year ended Dec 31, 2011	Six months ended June 30, 2012	Year ended Dec 31, 2011	Six months ended June 30, 2012	Year ended Dec 31, 2011	Six months ended June 30, 2012	Year ended Dec 31, 2011
(Rupees in thousand)									
Deposits									
Deposits at beginning of the period / year	4,398,756	2,088,985	766,387	955,014	43,854	77,043	25,393,804	24,677,392	50,178
Deposits received during the period / year	2,159,323	20,407,581	66,422,969	169,261,154	432,726	986,420	146,435,688	250,452,445	542,830
Deposits repaid during the period / year	(1,777,516)	(18,097,810)	(66,516,435)	(169,449,781)	(468,112)	(1,019,609)	(146,426,437)	(249,736,033)	(489,275)
Deposits at the end of the period / year	4,780,563	4,398,756	672,921	766,387	8,468	43,854	25,403,035	25,393,804	103,733
Advances (secured)									
Balance at beginning of the period / year	-	-	-	-	449,729	112,548	81,302	-	49,743
Loan granted during the period / year	-	-	-	-	23,016	337,759	244,503	81,302	2,515
Repayment during the period / year	-	-	-	-	-	(578)	(265,197)	-	(7,254)
Balance at end of the period / year	-	-	-	-	472,745	449,729	60,608	81,302	45,004
Outstanding Balance of credit cards	1,333	1,137	-	-	-	-	-	-	856
Receivable from Pension Fund	-	-	-	-	-	-	15,898,517	14,731,898	-
Directors		Associates		Subsidiary companies		Other Related Parties		Key management personnel	
June 30, 2012	June 30 / December 31, 2011	June 30, 2012	June / December 31, 2011	June 30, 2012	June / December 31, 2011	June 30, 2012	June / December 31, 2011	June 30, 2012	June / December 31, 2011
(Rupees in thousand)									
Outstanding commitments and contingent liabilities	-	-	8,865	8,865	-	-	-	-	-
Forward foreign exchange contracts (Notional)	-	-	-	-	-	-	1,913,753	-	-
Unrealized loss on forward foreign exchange contracts	-	-	-	-	-	-	40,914	-	-
Trade payable	-	-	7,732	7,317	30,600	16,506	373	1,255	-
Markup payable	-	-	-	-	156	610	-	-	-
Markup Receivable	-	-	-	-	4,415	4,265	-	-	-
Receivable for other expenses	-	-	-	-	-	3,490	-	-	-
Commission Receivable	-	-	-	-	7,284	1,924	-	-	-
Advance receivable	-	-	-	-	-	-	20,000	20,000	-
Investment in Metro-Bank Pakistan Sovereign Fund-Perpetual	-	-	-	-	-	-	4,000,000	4,000,000	-
Investment in MCB Cash Management Optimizer Fund	-	-	-	-	-	-	7,000,000	-	-
Investment in MCB Dynamic Stock Fund	-	-	-	-	-	-	50,000	-	-
Capital injection	-	-	-	52,519	-	-	-	-	-
Divestment in Khushthai Bank Limited	-	-	-	-	-	-	300,000	-	-
Contribution to provident fund	-	-	-	-	-	-	95,501	88,430	-
Markup income on advances	-	-	-	-	11,166	4,411	4,567	706	1,435
Mark-up expense on deposits	182,577	56,942	28,137	39,693	1,118	854	1,442,008	1,018,534	1,761
Insurance premium paid-net of refund	-	-	245,111	229,003	-	-	-	-	-
Insurance claim settled	-	-	24,186	34,426	-	-	-	-	-
Rent Income Received	-	-	1,215	2,706	-	-	-	-	-
Dividend Received	-	-	-	54,051	27,718	69,662	384,677	-	-
Commission Income from bancassurance	-	-	239,085	129,274	-	-	-	-	-
ATM Outsourcing Revenue	-	-	61,479	23,341	-	-	-	-	-
Outsourcing service expenses	-	-	-	-	33,313	34,547	-	-	-
Payment system managed service revenue (PSM)	-	-	-	-	-	8,599	-	-	-
Switch Revenue	-	-	-	-	-	5	-	-	-
Security guard expenses	-	-	-	-	-	-	126,907	98,319	-
Service expenses	-	-	-	-	-	-	9,500	8,969	-
Cash sorting expenses	-	-	-	-	-	-	18,896	22,011	-
Stationery Expenses	-	-	-	-	-	-	96,657	73,486	-
Remuneration and non-executive directors' fee	48,742	43,180	-	-	-	-	-	204,742	160,799
Clearing expenses paid to NIFT	-	-	-	-	-	-	59,550	62,825	-
Gas Charges	-	-	-	-	-	-	6,122	5,610	-
Rent Paid	-	-	-	-	-	-	154	97	-
Commission Received	-	-	1,655	1,870	21,386	11,520	26	16	-
Reimbursement of expenses	-	-	-	27	5,554	3,872	-	-	-
Other miscellaneous expenses	-	-	-	-	-	-	3,195	3,924	-

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

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

**18 ISLAMIC BANKING BUSINESS**

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

	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
<b>Assets</b>		
Cash and balances with treasury banks	290,740	334,398
Investments - net	2,806,628	2,938,706
Financing and receivables		
- Murabaha	4,856,000	4,094,212
- Ijara	84,707	96,146
- Islamic export refinance	674,688	1,420,784
Fixed Assets	1,194,899	1,008,864
Deferred tax assets	761	-
Other assets	1,290,875	3,330,885
	11,199,298	13,223,995
<b>Liabilities</b>		
Bills payable	62,969	45,297
Deposits and other accounts		
- Current accounts	1,302,375	1,022,119
- Saving accounts	1,967,843	1,636,924
- Term deposits	3,387,022	4,565,234
- Others	8,919	81,503
Borrowing from SBP	651,500	1,664,996
Due to head office	2,389,139	2,558,624
Deferred tax liability	-	8,182
Other liabilities	376,312	449,518
	10,146,079	12,032,397
	1,053,219	1,191,598
<b>Net assets</b>		
<b>Represented by:</b>		
Islamic Banking Fund	1,000,000	1,000,000
Other Reserves	(138)	70
Unappropriated profit	54,769	176,334
	1,054,631	1,176,404
Surplus / (deficit) on revaluation of assets - net of tax	(1,412)	15,194
	1,053,219	1,191,598
<b>Charity fund</b>		
Opening Balance	782	1,763
<b>Additions during the year</b>		
Received from customers on delayed payments	6,248	1,397
Profit on Charity Saving Account	74	122
	6,322	1,519
<b>Less Distribution of Charity</b>		
Social Welfare	-	(1,500)
Health	-	(1,000)
Education	-	-
Relief and Disaster Recovery	-	-
	-	(2,500)
<b>Closing Balance</b>	7,104	782
	<b>Six months ended</b>	<b>Six months ended</b>
	<b>June 30,</b>	<b>June 30,</b>
	<b>2012</b>	<b>2011</b>
	(Rupees in thousand)	
	972	877

Remuneration to Shariah Advisor / Board

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

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

	Six months ended June 30, 2012	Six months ended June 30, 2011
	(Rupees in thousand)	
Income / return / profit earned	696,879	793,255
Income / return / profit expensed	534,042	552,053
Net Income / Profit	162,837	241,202
(Reversal) / provision against loans and advances - net	(121)	9,573
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	(121)	9,573
Net profit / income after provisions	162,958	231,629
<b>Other income</b>		
Fees, commission and brokerage income	21,148	23,385
Dividend income	-	-
Income from dealing in foreign currencies	5,185	894
Other Income	72,134	16,518
Total other income	98,467	40,797
	261,425	272,426
<b>Other expenses</b>		
Administrative expenses	205,684	153,789
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	971	518
Total other expenses	206,655	154,307
Extra ordinary / unusual items	-	-
Profit before taxation	54,770	118,119

**19 GENERAL**

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

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

**20 NON-ADJUSTING EVENT**

The Board of Directors in its meeting held on August 7, 2012 has announced cash dividend in respect of the six months period ended June 30, 2012 of Rs. 4.00 per share (June 30, 2011: Rs 3.00 per share). These unconsolidated condensed interim financial statements for the six months period ended June 30, 2012 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

**21 DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on August 7, 2012.

  
M.U.A. Usmani  
President / CEO

  
Abdul Farid Bin Alias  
Director

  
S.M. Muneer  
Director

  
Ahmad Alman Aslam  
Director



**MCB BANK LIMITED**

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





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

As at June 30, 2012

		Unaudited June 30, 2012 (Rupees in thousand)	Audited December 31, 2011 (Rupees in thousand)
	Note		
<b>Assets</b>			
Cash and balances with treasury banks		52,771,301	53,122,620
Balances with other banks		3,204,729	2,357,418
Lendings to financial institutions	7	31,824	955,087
Investments - net	8	330,515,453	319,005,983
Advances - net	9	241,038,063	225,713,490
Operating fixed assets		24,049,088	22,418,450
Deferred tax assets - net		-	-
Other assets - net		38,264,265	32,751,759
		689,874,723	656,324,807
<b>Liabilities</b>			
Bills payable		9,679,174	9,466,818
Borrowings	10	27,601,240	39,100,627
Deposits and other accounts	11	529,352,168	491,146,798
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	7,048,716	6,497,097
Other liabilities		17,967,687	18,459,162
		591,648,985	564,670,502
<b>Net assets</b>		98,225,738	91,654,305
<b>Represented by:</b>			
Share capital		9,198,601	8,362,365
Reserves		43,331,080	42,412,588
Un-appropriated profit		34,542,620	30,259,449
		87,072,301	81,034,402
Minority interest		507,589	492,497
		87,579,890	81,526,899
Surplus on revaluation of assets - net of tax		10,645,848	10,127,406
		98,225,738	91,654,305

### Contingencies and commitments

13

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

M.U.A. Usmani  
President / CEO

Abdul Farid Bin Alias  
Director

S.M. Muneer  
Director

Ahmad Alman Aslam  
Director



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

For the half year ended June 30, 2012

		Quarter ended June 30, 2012	Half year ended June 30, 2012	Quarter ended June 30, 2011	Half year ended June 30, 2011
	Note		(Rupees in thousand)		
Mark-up / return / interest earned		16,966,576	34,527,250	16,894,120	32,864,042
Mark-up / return / interest expensed		6,741,200	13,587,437	5,579,466	10,616,424
Net mark-up / interest income		10,225,376	20,939,813	11,314,654	22,247,618
Provision against loans and advances - net		333,186	407,718	1,237,522	2,239,826
Provision / (reversals) for diminution in the value of investments - net		(8,471)	(7,880)	9,481	196,658
Bad debts written off directly		43	163	(5,101)	2,293
		324,758	400,001	1,241,902	2,438,777
Net mark-up / interest income after provisions		9,900,618	20,539,812	10,072,752	19,808,841
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		1,434,890	2,898,731	1,262,758	2,445,725
Income from trustee ship		5,701	10,488	5,032	10,557
Dividend income		291,608	769,007	76,701	225,743
Income from dealing in foreign currencies		246,374	501,893	274,342	489,232
Gain on sale of securities - net		670,066	713,988	313,018	569,773
Unrealized gain on revaluation of investments classified as held for trading		11,609	35,082	337	33,282
Other income		258,056	498,158	228,312	432,118
Total non mark-up / interest income		2,918,304	5,427,347	2,160,500	4,206,430
		12,818,922	25,967,159	12,233,252	24,015,271
<b>Non-mark-up / interest expenses</b>					
Administrative expenses		4,180,241	8,385,370	3,603,169	7,325,761
Other provisions / (reversals)		35,200	50,975	5,928	(7,835)
Other charges		(60,997)	180,139	385,042	628,447
Total non mark-up/interest expenses		4,154,444	8,616,484	3,994,139	7,946,373
Share of profit of associates		38,446	168,755	75,550	215,012
		8,702,924	17,519,430	8,314,663	16,283,910
Extra ordinary / unusual item		-	-	-	-
<b>Profit before taxation</b>		8,702,924	17,519,430	8,314,663	16,283,910
Taxation - current period		2,417,953	5,197,127	2,335,372	5,052,134
- prior years		116,256	116,256	-	-
- deferred		406,259	669,087	445,101	562,084
Share of tax of associates		(13,286)	(6,406)	16,845	39,814
		2,927,182	5,976,064	2,797,318	5,654,032
<b>Profit after taxation</b>		5,775,742	11,543,366	5,517,345	10,629,878
Minority interest		(21,430)	(41,139)	1	358
<b>Profit attributable to ordinary shareholders</b>		5,754,312	11,502,227	5,517,346	10,630,236
Earnings per share - basic and diluted - Rupees	14	6.26	12.50	6.00	11.56

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

M.U.A. Usmani  
President / CEO

Abdul Farid Bin Alias  
Director

S.M. Muneer  
Director

Ahmad Alman Aslam  
Director



# Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited) For the half year ended June 30, 2012

	Quarter ended June 30, 2012	Half year ended June 30, 2012	Quarter ended June 30, 2011	Half year ended June 30, 2011
	(Rupees in thousand)			
<b>Profit after tax for the period</b>	5,775,742	11,543,366	5,517,345	10,629,878
<b>Other comprehensive income</b>				
Effect of translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the Bank	30,537	(214,072)	38,186	42,905
- Minority interest	86	103	38	46
	30,623	(213,969)	38,224	42,951
<b>Comprehensive income transferred to equity</b>	5,806,365	11,329,397	5,555,569	10,672,829
<b>Components of comprehensive income not reflected in equity</b>				
Net change in fair value of available for sale securities	(647,144)	91,642	(153,464)	(119,318)
Deferred tax	117,257	116,272	14,292	(65,802)
	(529,887)	207,914	(139,172)	(185,120)
<b>Total comprehensive income for the period</b>	5,276,478	11,537,311	5,416,397	10,487,709

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



# Consolidated Condensed Interim Cash Flow Statement (Un-audited) For the half year ended June 30, 2012

	June 30, 2012	June 30, 2011
	(Rupees in thousand)	
<b>Cash flows from operating activities</b>	17,519,430	16,283,910
Profit before taxation	(937,762)	(440,755)
Less: Dividend income and share of profit of associates	16,581,668	15,843,155
Adjustments for non-cash charges		
Depreciation	632,910	538,937
Amortization	123,696	116,431
Provision against loans and advances - net	407,718	2,239,826
Provision / (reversals) for diminution in the value of investments - net	(7,880)	196,658
Other provisions / (reversals)	50,975	(7,835)
Bad debts written off directly	163	2,293
Unrealized gain on revaluation of investments classified as held for trading	(35,082)	(33,282)
Gain on disposal of fixed assets	(9,429)	(9,850)
	1,163,071	3,043,178
	17,744,739	18,886,333
(Increase) / decrease in operating assets		
Lendings to financial institutions	923,263	(4,447,507)
Net investment in held for trading securities	(593,479)	11,399
Advances - net	(15,732,454)	(7,655,186)
Other assets - net	(766,367)	(67,462)
	(16,169,037)	(12,158,756)
Increase / (decrease) in operating liabilities		
Bills payable	212,356	(2,418,006)
Borrowings	(11,499,387)	(8,161,344)
Deposits and other accounts	38,205,370	64,863,669
Other liabilities	(457,746)	2,474,472
	26,460,593	56,758,791
	28,036,295	63,486,368
	(10,046,985)	(8,374,566)
	17,989,310	55,111,802
<b>Net cash flows from operating activities</b>	17,989,310	55,111,802
<b>Cash flows from investing activities</b>		
Net investments in available-for-sale securities	(11,065,387)	(47,218,797)
Net investments in held-to-maturity securities	787,858	(217,289)
Investment in associated undertaking	-	(52,521)
Net cash inflow on merger of subsidiary	-	41,624
Dividend income received	680,258	261,501
Sale proceeds of property and equipment disposed off	21,040	15,557
Investment in operating fixed assets	(2,398,855)	(1,052,437)
	(11,975,086)	(48,222,362)
<b>Net cash flows from investing activities</b>	(11,975,086)	(48,222,362)
<b>Cash flows from financing activities</b>		
Dividend paid	(5,304,263)	(4,977,917)
	(5,304,263)	(4,977,917)
Exchange difference on translation of net investment in foreign branches and subsidiaries	(213,969)	42,951
	495,992	1,954,474
<b>Increase in cash and cash equivalents</b>	55,480,038	46,958,782
Cash and cash equivalents at beginning of the period	55,976,030	48,913,256
Cash and cash equivalents at end of period		

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

M.U.A. Usmani  
President / CEO

Abdul Farid Bin Alias  
Director

S.M. Muneer  
Director

Ahmad Alman Aslam  
Director

M.U.A. Usmani  
President / CEO

Abdul Farid Bin Alias  
Director

S.M. Muneer  
Director

Ahmad Alman Aslam  
Director



Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)  
For the half year ended June 30, 2012

	Capital Reserves				Revenue Reserves			Total	Minority interest	Total
	Share capital	Reserve for issue of bonus shares	Share premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit			
	(Rupees in thousand)									
Balance as at December 31, 2010	7,602,150	-	9,702,528	347,599	11,514,399	18,600,000	23,458,429	71,225,105	2,698	71,227,803
Change in equity for six months ended June 30, 2011										
Profit after taxation for six months period ended June 30, 2011	-	-	-	-	-	-	10,629,878	10,629,878	-	10,629,878
Loss attributable to minority interest	-	-	-	-	-	-	358	358	(358)	-
Profit after taxation for six months period ended June 30, 2011 attributable to ordinary share holders of the Group	-	-	-	-	-	-	10,630,236	10,630,236	(358)	10,629,878
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	42,905	-	-	-	42,905	46	42,951
Total comprehensive income for the period ended June 30, 2011	-	-	-	42,905	-	-	10,630,236	10,673,141	(312)	10,672,829
Transferred to statutory reserve	-	-	-	-	1,057,141	-	(1,057,141)	-	-	-
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	18,018	18,018	-	18,018
Transfer to reserve for issue of bonus shares	-	760,215	-	-	-	-	(760,215)	-	-	-
Issue of bonus shares - December 31, 2010	760,215	(760,215)	-	-	-	-	-	-	-	-
Effect of change in ownership interest in subsidiary without loss of control	-	-	-	-	-	-	76,919	76,919	485,395	562,314
Minority share on revaluation of assets of subsidiary	-	-	-	-	-	-	-	-	38,471	38,471
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(20)	(20)
Final cash dividend - December 31, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
Interim cash dividend - March 31, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
Balance as at June 30, 2011	8,362,365	-	9,702,528	390,504	12,571,540	18,600,000	27,576,892	77,203,829	526,232	77,730,061
Change in equity for six months ended December 31, 2011										
Profit after taxation for six months period ended December 31, 2011	-	-	-	-	-	-	8,672,605	8,672,605	-	8,672,605
Profit attributable to minority interest	-	-	-	-	-	-	(28,525)	(28,525)	28,525	-
Profit after taxation for six months period ended December 31, 2011 attributable to ordinary share holders of the Group	-	-	-	-	-	-	8,644,080	8,644,080	28,525	8,672,605
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	40,756	-	-	-	40,756	96	40,852
Total comprehensive income for the period ended December 31, 2011	-	-	-	40,756	-	-	8,644,080	8,684,836	28,621	8,713,457
Transferred to statutory reserve	-	-	-	-	885,350	-	(885,350)	-	-	-
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	18,164	18,164	128	18,292
Adjustment pertaining to additional issue of share capital to minority interest on amalgamation of MCB Assets Management Company Limited with Arif Habib Investments Limited	-	-	221,910	-	-	-	(76,919)	144,991	(9,919)	135,072
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(52,565)	(52,565)
Interim cash dividend - June 30, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
Interim cash dividend - September 30, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
Balance as at December 31, 2011	8,362,365	-	9,924,438	431,260	13,456,890	18,600,000	30,259,449	81,034,402	492,497	81,526,899
Change in equity for six months ended June 30, 2012										
Profit after taxation for six months period ended June 30, 2012	-	-	-	-	-	-	11,543,366	11,543,366	-	11,543,366
Profit attributable to minority interest	-	-	-	-	-	-	(41,139)	(41,139)	41,139	-
Profit after taxation for six months period ended June 30, 2012 attributable to ordinary share holders of the Group	-	-	-	-	-	-	11,502,227	11,502,227	41,139	11,543,366
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	(214,072)	-	-	-	(214,072)	103	(213,969)
Total comprehensive income for the period ended June 30, 2012	-	-	-	(214,072)	-	-	11,502,227	11,288,155	41,242	11,329,397
Transferred to statutory reserve	-	-	-	-	1,132,564	-	(1,132,564)	-	-	-
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	18,033	18,033	132	18,165
Transfer to reserve for issue of bonus shares	-	836,236	-	-	-	-	(836,236)	-	-	-
Issue of bonus shares - December 31, 2011	836,236	(836,236)	-	-	-	-	-	-	-	-
Share of dividend attributable to minority interest	-	-	-	-	-	-	-	-	(26,282)	(26,282)
Final cash dividend - December 31, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
Interim cash dividend - March 31, 2012	-	-	-	-	-	-	(2,759,580)	(2,759,580)	-	(2,759,580)
Balance as at June 30, 2012	9,198,601	-	9,924,438	217,188	14,589,454	18,600,000	34,542,620	87,072,301	507,589	87,579,890

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

  
M.U.A. Usmani  
President / CEO

  
Abdul Farid Bin Alias  
Director

  
S.M. Muneer  
Director

  
Ahmad Alman Aslam  
Director



Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)  
For the half year ended June 30, 2012

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%  
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 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 15-Main, Gulberg, Lahore. The Bank operates 1,166 branches including 22 Islamic banking branches (December 31, 2011: 1,165 branches including 22 Islamic banking branches) with in Pakistan and 8 (December 31, 2011: 8) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

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

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

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

- a) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the unaudited financial statements for the period ended June 30, 2012 and the carrying value of investments held by the Group is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.
- b) Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost, thereafter adjusted for the post-acquisition change in the Group's share of net assets of the associate. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associate has been accounted for based on the financial statements for the period ended June 30, 2012.
- c) Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

**3 STATEMENT OF COMPLIANCE**

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

**3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

**3.3** The disclosures made in these consolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for annual financial statements and these Consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2011.

**4 BASIS OF MEASUREMENT**

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

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

**5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT**

**5.1** The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2011.

**5.2** The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2011.

**6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The basis for significant accounting estimates and judgments adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2011.

**7. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings  
Repurchase agreement

	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
	-	-
	31,824	955,087
	31,824	955,087

**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

		June 30, 2012		
		Held by bank	Given as collateral	Total
		(Rupees in thousand)		
	Note			
<b>8 INVESTMENTS - NET</b>				
<b>8.1 Investments by types</b>				
Held-for-trading securities		955,697	-	955,697
Available-for-sale securities	8.2	307,137,851	12,807,001	319,944,852
Held-to-maturity securities	8.2	8,107,169	59,901	8,167,070
		316,200,717	12,866,902	329,067,619
Adamjee Insurance Company Limited	8.3	3,604,785	-	3,604,785
Euronet Pakistan (Private) Limited	8.4	54,342	-	54,342
First Women Bank Limited	8.5	63,300	-	63,300
		3,722,427	-	3,722,427
<b>Investments at cost</b>		319,923,144	12,866,902	332,790,046
Less: Provision for diminution in the value of investments		(2,890,004)	-	(2,890,004)
<b>Investments (net of provisions)</b>		317,033,140	12,866,902	329,900,042
Surplus / (deficit) on revaluation of available for sale securities - net		587,484	(7,155)	580,329
Gain on revaluation of held-for-trading securities - net		35,082	-	35,082
<b>Investments at revalued amounts - net of provisions</b>		317,655,706	12,859,747	330,515,453

December 31, 2011				
		Held by bank	Given as collateral	Total
		(Rupees in thousand)		
	Note			
Held-for-trading securities		345,602	-	345,602
Available-for-sale securities	8.2	285,002,260	24,306,386	309,308,646
Held-to-maturity securities	8.2	8,471,928	483,000	8,954,928
		293,819,790	24,789,386	318,609,176
Adamjee Insurance Company Limited	8.3	3,101,352	-	3,101,352
Euronet Pakistan (Private) Limited	8.4	53,917	-	53,917
First Women Bank Limited	8.5	63,300	-	63,300
		3,218,569	-	3,218,569
<b>Investments at cost</b>		297,038,359	24,789,386	321,827,745
Less: Provision for diminution in the value of investments		(3,327,065)	-	(3,327,065)
<b>Investments (net of provisions)</b>		293,711,294	24,789,386	318,500,680
Surplus on revaluation of available for sale securities - net		475,204	13,483	488,687
Gain on revaluation of held-for-trading securities - net		16,616	-	16,616
<b>Investments at revalued amounts - net of provisions</b>		294,203,114	24,802,869	319,005,983

Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2011: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2011: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.



**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

**8.3** Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2012 amounted to Rs. 2,098.963 million (December 31, 2011: Rs. 1,675.927 million).

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

	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
Opening Balance	3,101,352	3,703,265
Share of profit / (loss) for the period / year before tax	168,130	(73,069)
Dividend from associate	-	(90,084)
Share of tax	6,606	71,214
	174,736	(91,939)
Share of unrealized surplus on assets -net of tax	328,697	(509,974)
Closing Balance	3,604,785	3,101,352

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'.

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

Opening balance	53,917	-
Investment made during the year	-	52,521
Share of profit for the period / year before tax	625	1,562
Share of tax	(200)	(166)
	425	1,396
Closing Balance	54,342	53,917

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

**9 ADVANCES - NET**

Loans, cash credits, running finances, etc

- In Pakistan	237,441,501	223,963,444
- Outside Pakistan	10,585,476	10,511,019
	248,026,977	234,474,463

Net Investment in finance lease

- In Pakistan	1,084,389	1,226,014
- Outside Pakistan	729,812	593,796
	1,814,201	1,819,810

Bills discounted and purchased (excluding treasury bills)

- Payable in Pakistan	1,056,003	722,522
- Payable outside Pakistan	12,849,556	11,030,137
	13,905,559	11,752,659

**Advances - gross**

Less: Provision against loans and advances

- Specific provision	(22,250,059)	(21,869,401)
- General provision	(263,662)	(248,135)
- General provision against consumer loans	(173,521)	(198,340)
- General Provision for potential lease losses (in Sri Lanka Operations)	(21,432)	(17,566)
	(22,708,674)	(22,333,442)
	241,038,063	225,713,490

**Advances - net of provision**

**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

**9.1** Advances include Rs. 26,370.067 million (December 31, 2011: Rs. 26,664.873 million) which have been placed under non-performing status as detailed below:

		June 30, 2012				
		Classified Advances			Specific	Specific
		Domestic	Overseas	Total	Provision	Provision
					Required	Held
		(Rupees in thousand)				
Category of	Note					
Classification						
Other Assets Especially						
Mentioned (OAEM)	9.1.1	11,584	-	11,584	-	-
Substandard		1,807,484	-	1,807,484	408,048	408,048
Doubtful		469,830	7,076	476,906	233,331	233,331
Loss		19,603,348	4,470,745	24,074,093	21,608,680	21,608,680
		21,892,246	4,477,821	26,370,067	22,250,059	22,250,059

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

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

**10 BORROWINGS**

In Pakistan	24,505,428	37,397,843
Outside Pakistan	3,095,812	1,702,784
	27,601,240	39,100,627

**10.1 Details of borrowings (secured / unsecured)**

Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	7,593,084	9,903,657	
Long term financing facility	1,521,430	2,026,175	
Long term financing - export oriented products scheme	1,180,706	949,375	
Financing Facility for Storage of Agricultural Produce	677,884	219,932	
Scheme for Revival of SMEs & Agricultural Activities in Flood Affected Areas	-	450	
	10,973,104	13,099,589	
Borrowings from other financial institutions		149,744	293,113
Repurchase agreement borrowings	12,842,225	24,781,254	
	12,991,969	25,074,367	
	23,965,073	38,173,956	
Unsecured			
Overdrawn nostro accounts	640,825	110,532	
Call borrowings	2,995,342	816,139	
	3,636,167	926,671	
	27,601,240	39,100,627	





**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

	June 30, 2012 (Rupees in thousand)	December 31, 2011 (Rupees in thousand)
<b>11 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	87,813,056	91,476,846
Savings deposits	248,099,227	225,916,109
Current accounts	183,773,653	161,668,528
Margin accounts	3,303,304	3,511,830
	<u>522,989,240</u>	<u>482,573,313</u>
<b>Financial institutions</b>		
Remunerative deposits	4,213,356	6,319,827
Non-remunerative deposits	2,149,572	2,253,658
	<u>6,362,928</u>	<u>8,573,485</u>
	<u>529,352,168</u>	<u>491,146,798</u>
<b>12 DEFERRED TAX LIABILITY / (ASSET) - NET</b>		
The details of the tax effect of taxable and deductible temporary differences are as follows:		
<b>Taxable temporary differences on:</b>		
Surplus on revaluation of operating fixed assets	777,463	788,352
Accelerated tax depreciation	1,002,609	1,057,564
Receivable from pension fund	5,564,481	5,156,165
Investments in associates	210,612	193,138
Others	-	10,219
Surplus on revaluation of securities	-	49,393
	<u>7,555,165</u>	<u>7,254,831</u>
<b>Deductible temporary differences on:</b>		
Deficit on revaluation of securities	(66,879)	-
Provision for bad debts	(143,142)	(414,436)
Provision for gratuity	(1,019)	(1,019)
Provision for post retirement medical benefits	(281,157)	(306,908)
Provision for contributory benevolent scheme	-	(5,656)
Taxable losses	(14,252)	(29,715)
	<u>(506,449)</u>	<u>(757,734)</u>
	<u>7,048,716</u>	<u>6,497,097</u>
	<b>June 30, 2012 (Rupees in thousand)</b>	<b>December 31, 2011 (Rupees in thousand)</b>
<b>13 CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Guarantees in favor of:		
- Government	6,191,922	5,395,819
- Banks and financial institutions	2,604,056	2,552,462
- Others	8,369,013	8,592,290
	<u>17,164,991</u>	<u>16,540,571</u>
<b>13.2 Transaction-related contingent liabilities / commitments</b>		
Guarantees in favor of:		
- Others	1,504,018	477,806
Suppliers credit / payee guarantee	2,434,782	2,373,006
	<u>3,938,800</u>	<u>2,850,812</u>



**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

	June 30, 2012 (Rupees in thousand)	December 31, 2011 (Rupees in thousand)
<b>13.3 Trade-related contingent liabilities</b>	<u>67,623,588</u>	<u>77,075,699</u>
<b>13.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>793,246</u>	<u>844,099</u>
<b>13.5 Commitments to extend credit</b>		
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.		
	<b>June 30, 2012 (Rupees in thousand)</b>	<b>December 31, 2011 (Rupees in thousand)</b>
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	<u>21,393,362</u>	<u>32,395,900</u>
Sale	<u>23,717,581</u>	<u>35,030,445</u>
	<u>191,517</u>	<u>276,277</u>
<b>13.7 Commitments for the acquisition of fixed assets</b>	<u>487,466</u>	<u>-</u>
<b>13.8 Forward outright sale of Government Securities</b>		
<b>13.9 Taxation</b>		
For assessment year 1988-89 through tax year 2011, the tax department disputed Bank's treatment on certain issues, where the Bank's appeals are pending at various appellate forums, entailing an additional tax liability of Rs.9,639 million which has been paid. Such issues inter alia principally include disallowance of expenses for non deduction of withholding tax and non availability of underlying records, provision for non performing loans, attribution of expenses to heads of income other than income from business and disallowance of credit for taxes paid in advance/ deducted at source.		
The Bank has filed appeals which are pending at various appellate forums. In addition, certain decisions made in favour of the Bank are being contested by the department at higher forums. No provision has been made in the financial statements regarding the aforesaid additional tax demand and already issued favourable decisions where the department is in appeal, as the management is of the view that the issues will be decided in the Bank's favour as and when these are taken up by the Appellate Authorities.		
For tax years 2003 through 2006 and tax year 2011, aggregate liability of Rs 584 million has been adjudged under section 161 of the Income Tax Ordinance, 2001 on the grounds that Bank failed to deduct applicable withholding tax while making payments on certain accounts. Such liability has not been provided for in these financial statements as Bank's management is of the view that while departmental action for tax years 2003 through 2006 is barred by applicable limitation of time the liability for tax year 2011 has been adjudged on an arbitrary basis.		
	<b>June 30, 2012 (Rupees in thousand)</b>	<b>June 30, 2011 (Rupees in thousand)</b>
<b>14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX</b>		
Profit after taxation	<u>11,502,227</u>	<u>10,630,236</u>
	<b>Number of shares</b>	<b>Number of shares</b>
Weighted average number of shares outstanding during the period	<u>919,860,123</u>	<u>919,860,123</u>
	<b>Rupees</b>	<b>Rupees</b>
Basic and diluted Earnings per share - after tax	<u>12.50</u>	<u>11.56</u>
<b>15 CREDIT RATING</b>		
PACRA has assigned long-term credit rating of AA+ (double A plus) and short-term credit rating of A1+ (A one plus) to the Bank.		



## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2012

### 16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Six months ended June 30, 2012						
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Eliminations	Total
	(Rupees in thousand)						
Total income	68,861	20,889,528	7,139,852	11,828,281	242,146	(45,316)	40,123,352
Total expenses	(25,993)	(2,764,959)	(17,988,225)	(1,742,117)	(127,944)	45,316	(22,603,922)
Income tax expense	-	-	-	-	-	-	(5,976,064)
<b>Net income</b>	<b>42,868</b>	<b>18,124,569</b>	<b>(10,848,373)</b>	<b>10,086,164</b>	<b>114,202</b>	<b>-</b>	<b>11,543,366</b>
Segment assets - (Gross of NPLs Provisions)	66,985	357,039,679	136,789,895	207,131,336	1,409,130	(1,011,090)	701,425,935
Advance tax - net of provision	-	-	-	-	-	-	10,698,847
<b>Total assets</b>	<b>66,985</b>	<b>357,039,679</b>	<b>136,789,895</b>	<b>207,131,336</b>	<b>1,409,130</b>	<b>(1,011,090)</b>	<b>712,124,782</b>
Segment non performing loans	-	-	7,579,565	18,790,502	-	-	26,370,067
Segment specific provision required	-	-	6,395,348	15,854,711	-	-	22,250,059
Segment liabilities	8,410	22,540,329	534,364,173	28,572,792	125,655	(1,011,090)	584,600,269
Deferred tax liabilities - net	-	-	-	-	-	-	7,048,716
<b>Total liabilities - net</b>	<b>8,410</b>	<b>22,540,329</b>	<b>534,364,173</b>	<b>28,572,792</b>	<b>125,655</b>	<b>(1,011,090)</b>	<b>591,648,985</b>
Segment return on assets (ROA) (%)	-	11.70%	10.97%	12.35%	34.37%	-	-
Segment cost of fund (%)	-	11.33%	4.50%	5.97%	-	-	-

	Six months ended June 30, 2011						
Total income	58,863	16,237,351	7,084,276	13,787,096	144,974	(27,076)	37,285,484
Total expenses	(25,687)	(2,666,449)	(15,445,707)	(2,785,335)	(105,472)	27,076	(21,001,574)
Income tax expense	-	-	-	-	-	-	(5,654,032)
<b>Net income</b>	<b>33,176</b>	<b>13,570,902</b>	<b>(8,361,431)</b>	<b>11,001,761</b>	<b>39,502</b>	<b>-</b>	<b>10,629,878</b>
Segment assets - (Gross of NPLs provision)	44,980	292,807,241	121,148,250	234,969,791	1,181,285	(947,481)	649,204,066
Advance tax - net of provision	-	-	-	-	-	-	5,860,331
<b>Total assets</b>	<b>44,980</b>	<b>292,807,241</b>	<b>121,148,250</b>	<b>234,969,791</b>	<b>1,181,285</b>	<b>(947,481)</b>	<b>655,064,397</b>
Segment non performing loans	-	-	7,550,087	17,871,938	-	-	25,422,025
Segment specific provision required	-	-	6,311,610	14,940,316	-	-	21,251,926
Segment liabilities	7,561	11,511,676	499,848,835	29,372,034	60,254	(947,481)	539,852,879
Provision for taxation	-	-	-	-	-	-	5,704,194
<b>Total liabilities - net</b>	<b>7,561</b>	<b>11,511,676</b>	<b>499,848,835</b>	<b>29,372,034</b>	<b>60,254</b>	<b>(947,481)</b>	<b>545,557,073</b>
Segment return on assets (ROA) (%)	-	11.09%	12.34%	12.53%	24.55%	-	-
Segment cost of fund (%)	-	12.02%	4.03%	5.96%	-	-	-



## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the half year ended June 30, 2012

### 17 RELATED PARTY TRANSACTIONS

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

The Group enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	Directors		Associates		Other Related Parties		Key management personnel	
	Six months ended June 30, 2012	Year ended Dec 31, 2011	Six months ended June 30, 2012	Year ended Dec 31, 2011	Six months ended June 30, 2012	Year ended Dec 31, 2011	Six months ended June 30, 2012	Year ended Dec 31, 2011
(Rupees in thousand)								
<b>Deposits</b>								
Deposits at beginning of the period / year	4,398,756	2,088,985	766,387	955,014	25,393,804	24,677,392	50,178	90,816
Deposits received during the period / year	2,159,323	20,407,581	66,422,969	169,261,154	146,435,668	250,452,445	542,830	830,780
Deposits repaid during the period / year	(1,777,516)	(18,097,810)	(66,516,435)	(169,449,781)	(146,426,437)	(249,736,033)	(489,275)	(871,418)
Deposits at the end of the period / year	4,780,563	4,398,756	672,921	766,387	25,403,035	25,393,804	103,733	50,178
<b>Advances (secured)</b>								
Balance at beginning of the period / year	-	-	-	-	81,302	-	49,743	54,474
Loan granted during the period / year	-	-	-	-	244,503	81,302	2,515	3,525
Repayment during the period / year	-	-	-	-	(265,197)	-	(7,254)	(8,256)
Balance at end of the period / year	-	-	-	-	60,608	81,302	45,004	49,743
<b>Outstanding Balance of credit cards</b>	1,333	1,137	-	-	-	-	1,009	856
<b>Receivable from Pension Fund</b>	-	-	-	-	15,898,517	14,731,898	-	-
	Directors		Associates		Other Related Parties		Key management personnel	
	June 30, 2012	June 30 / December 31, 2011	June 30, 2012	June / December 31, 2011	June 30, 2012	June / December 31, 2011	June 30, 2012	June / December 31, 2011
(Rupees in thousand)								
Outstanding commitments and contingent liabilities	-	-	8,865	8,865	-	-	-	-
Forward foreign exchange contracts (Notional)	-	-	-	-	-	1,913,753	-	-
Unrealized loss on forward foreign exchange contracts	-	-	-	-	-	40,914	-	-
Trade payable	-	-	7,732	7,317	373	1,255	-	-
Advance receivable	-	-	-	-	20,000	20,000	-	-
Investment in Metro-Bank Pakistan Sovereign Fund-Perpetual	-	-	-	-	4,000,000	4,000,000	-	-
Investment in MCB Cash Management Optimizer Fund	-	-	-	-	7,000,000	-	-	-
Investment in MCB Dynamic Stock Fund	-	-	-	-	50,000	-	-	-
Capital injection	-	-	-	52,519	-	-	-	-
Divestment in Khushhali Bank Limited	-	-	-	-	300,000	-	-	-
Contribution to provident fund	-	-	-	-	95,501	88,430	-	-
Markup income on advances	-	-	-	-	4,567	706	1,435	888
Mark-up expense on deposits	182,577	56,942	28,137	39,693	1,442,008	1,018,534	1,761	1,505
Insurance premium paid-net of refund	-	-	245,111	229,003	-	-	-	-
Insurance claim settled	-	-	24,186	34,426	-	-	-	-
Rent Income Received	-	-	1,215	2,706	-	-	-	-
Dividend Received	-	-	-	54,051	384,677	-	-	-
Commission Income from bancassurance	-	-	239,085	129,274	-	-	-	-
ATM Outsourcing Revenue	-	-	61,479	23,341	-	-	-	-
Security guard expenses	-	-	-	-	126,907	98,319	-	-
Service expenses	-	-	-	-	9,500	8,969	-	-
Cash sorting expenses	-	-	-	-	18,896	22,011	-	-
Stationery Expenses	-	-	-	-	96,657	73,486	-	-
Remuneration and non-executive directors' fee	48,742	43,180	-	-	-	-	204,742	160,799
Clearing expenses paid to NIFT	-	-	-	-	59,550	62,825	-	-
Gas Charges	-	-	-	-	6,122	5,610	-	-
Rent Paid	-	-	-	-	154	97	-	-
Commission Received	-	-	1,655	1,870	26	16	-	-
Reimbursement of expenses	-	-	-	27	-	-	-	-
Other miscellaneous expenses	-	-	-	-	3,195	3,924	-	-

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 half year ended June 30, 2012

**18 ISLAMIC BANKING BUSINESS**

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

	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
<b>Assets</b>		
Cash and balances with treasury banks	290,740	334,398
Investments - net	2,806,628	2,938,706
Financing and receivables		
- Murabaha	4,856,000	4,094,212
- Ijara	84,707	96,146
- Islamic export refinance	674,688	1,420,784
Fixed Assets	1,194,899	1,008,864
Deferred tax assets	761	-
Other assets	1,290,875	3,330,885
	11,199,298	13,223,995
<b>Liabilities</b>		
Bills payable	62,969	45,297
Deposits and other accounts		
- Current accounts	1,302,375	1,022,119
- Saving accounts	1,967,843	1,636,924
- Term deposits	3,387,022	4,565,234
- Others	8,919	81,503
Borrowing from SBP	651,500	1,664,996
Due to head office	2,389,139	2,558,624
Deferred tax liability	-	8,182
Other liabilities	376,312	449,518
	10,146,079	12,032,397
	1,053,219	1,191,598
<b>Net assets</b>		
<b>Represented by:</b>		
Islamic Banking Fund	1,000,000	1,000,000
Other Reserves	(138)	70
Unappropriated profit	54,769	176,334
	1,054,631	1,176,404
Surplus / (deficit) on revaluation of assets - net of tax	(1,412)	15,194
	1,053,219	1,191,598
<b>Charity fund</b>		
Opening Balance	782	1,763
<b>Additions during the year</b>		
Received from customers on delayed payments	6,248	1,397
Profit on Charity Saving Account	74	122
	6,322	1,519
<b>Less Distribution of Charity</b>		
Social Welfare	-	(1,500)
Health	-	(1,000)
Education	-	-
Relief and Disaster Recovery	-	-
	-	(2,500)
<b>Closing Balance</b>	7,104	782
	Six months ended	
	June 30, 2012	June 30, 2011
	(Rupees in thousand)	
<b>Remuneration to Shariah Advisor / Board</b>	972	877

**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the half year ended June 30, 2012

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

	Six months ended June 30, 2012	Six months ended June 30, 2011
	(Rupees in thousand)	
Income / return / profit earned	696,879	793,255
Income / return / profit expensed	534,042	552,053
Net Income / Profit	162,837	241,202
Provision against loans and advances - net	(121)	9,573
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	(121)	9,573
Net profit / income after provisions	162,958	231,629
<b>Other income</b>		
Fees, commission and brokerage income	21,148	23,385
Dividend income	-	-
Income from dealing in foreign currencies	5,185	894
Other Income	72,134	16,518
Total other income	98,467	40,797
	261,425	272,426
<b>Other expenses</b>		
Administrative expenses	205,684	153,789
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	971	518
Total other expenses	206,655	154,307
Extra ordinary / unusual items	-	-
Profit before taxation	54,770	118,119

**19 GENERAL**

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

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

**20 NON-ADJUSTING EVENT**

The Board of Directors in its meeting held on August 7, 2012 has announced cash dividend in respect of the six months period ended June 30, 2012 of Rs. 4.00 per share (June 30, 2011: Rs 3.00 per share). These consolidated condensed interim financial statements for the six months period ended June 30, 2012 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

**21 DATE OF AUTHORISATION FOR ISSUE**

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on August 7, 2012.

  
M.U.A. Usmani  
President / CEO

  
Abdul Farid Bin Alias  
Director

  
S.M. Muneer  
Director

  
Ahmad Alman Aslam  
Director