



Our Vision

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

Our Mission

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

Our Values

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

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

CORPORATE PROFILE

Board of Directors

Mian Mohammad Mansha

Chairman

S.M. Muneer

Vice Chairman

Tariq Rafi

Shahzad Saleem

Sarmad Amin

Dr. Muhammad Yaqub

Mian Raza Mansha

Mian Umer Mansha

Dato' Mohammed Hussein

Abdul Farid Bin Alias

Aftab Ahmad Khan

Muhammad Ali Zeb

M.U.A. Usmani

Acting President and Chief Executive Officer

Audit Committee

Tariq Rafi - Chairman

Dr. Muhammad Yaqub - Member

Dato' Mohammed Hussein - Member

Aftab Ahmad Khan - Member

Muhammad Ali Zeb - Member

Malik Abdul Waheed - Advisor to Chairman

Chief Financial Officer

Salman Zafar Siddiqi

Company Secretary

Abdus S. Sami

Auditors

KPMG Taseer Hadi & Co.

Chartered Accountants

Legal Advisors

Khalid Anwer & Co.

Advocates & Legal Consultants

Registered Office

MCB Building F-6/G-6,

Jinnah Avenue, Islamabad.

Principal Office

MCB 15 Main Gulberg, Lahore.

Registrar's And Share Registration Office

M/s THK Associates (Pvt) Ltd.

State Life Building No. 3,

Dr. Ziauddin Ahmed Road,

Karachi

DIRECTORS' REPORT JUNE - 2010

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

Financial Highlights

	Rs. in Million
Profit before taxation	12,212
Taxation	(4,270)
Profit after taxation	7,942
Un-appropriated profit brought forward	15,779
Transfer from surplus on revaluation of fixed assets (net of tax)	11
	15,790
Profit available for appropriation	23,732
Appropriations:	
Statutory reserve	794
Final cash dividend – December 2009	2,419
Issue of bonus shares – December 2009	691
Interim cash dividend - March 2010	1,901
Total appropriations	5,805
Un-appropriated profit carried forward	17,927

Performance Review

During the first half of 2010, the Bank delivered profit before tax of Rs. 12.2 billion as against Rs. 11.7 billion for similar period last year registering growth of 4%. Profit after tax was reported at 7.9 billion translating into an EPS of Rs. 10.45 against Rs. 10.20 for June 2009.

During the first half of 2010, deposits presented a robust increase of 14% reaching Rs. 419.3 billion from Rs. 367.6 billion at December 2009; with low cost CASA rising by 13% from December 2009, representing 82% of the total deposits. The strong increase in deposits base geared MCB's domestic market share to 8.8% from only 8.3% at December 2009.

The total asset base of the bank grew by Rs. 23 billion over December 2009. Major contribution to the said increase was investments that registered an increase of 7% and were reported at 179.5 billion. Gross advances on the other hand slightly decreased by 2% over December 2009, mainly owing to the slow down the overall economy. The equity base of the Bank was reported at 64.7 billion depicting an increase of 6% over December 2009. Return on Equity (ROE) & Return on Assets (ROA) was recorded at 25% & 3% respectively. Net interest income decreased by 2% whereas non interest income increased by 8% over corresponding period last year. The provision charge against advances decreased by 43% whereas provision against investments decreased by 78% over last year corresponding period

Ratings/Awards

PACRA through its notification in June 2010, has maintained long term credit rating of AA+ double A plus] and short-term credit rating of A1+ [A one plus] of the Bank (2009: AA+ Double A plus] for long term and A1+ [A one plus] for short term rating). The Bank was also recently awarded “The Most Stable Bank” award by CFA Association of Pakistan (CFAAP).

Review of Economic Conditions

The economy continues to show signs of recovery although at a slower pace and the banking sector environment has been challenging. Recent increase in interest rates exerted further pressure on the fiscal numbers. The PKR exchange rate against the US Dollar stabilized in 2010, and the current deficit dropped to US\$ 3 billion, lowest in the past four years, with foreign exchange reserves rising to a record of US\$ 16.8B during July 2010. Although the asset quality may remain under pressure during the upcoming quarter, the operating climate shall remain stable and positive growth can be anticipated. However, with restrictions imposed under the IMF credit and the tight monetary policy shall continue to influence and control the overall economic environment.

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

A handwritten signature in blue ink, appearing to read 'Mian Mohammad Mansha'.

Mian Mohammad Mansha
Chairman

August 5, 2010

Independent Auditors Report on Review of Condensed Interim Financial Information to the Members

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **MCB Bank Limited (“the Bank”)** as at June 30, 2010 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity together with the notes forming part thereof for the six months period then ended there-in-after referred to as (“the unconsolidated condensed interim financial information”). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

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 condensed 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 unconsolidated condensed interim financial information as of and for the six months ended June 30, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting.

Other matters

The figures for the quarter ended June 30, 2010 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

**Lahore
August 5, 2010**

**KPMG Taseer Hadi & Co.
Chartered Accountants
(Farid Uddin Ahmed)**

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

As at June 30, 2010

		Unaudited June 30, 2010	Audited December 31, 2009
	Note	----- (Rupees in '000) -----	
Assets			
Cash and balances with treasury banks		44,462,982	38,774,871
Balances with other banks		1,505,594	6,009,993
Lendings to financial institutions	7	16,530,103	3,000,000
Investments - net	8	179,514,638	167,134,465
Advances - net	9	245,058,332	253,249,407
Operating fixed assets		18,118,903	18,014,896
Deferred tax assets - net		-	-
Other assets - net		26,911,392	23,040,095
		532,101,944	509,223,727
Liabilities			
Bills payable		5,370,237	8,201,090
Borrowings	10	13,378,665	44,662,088
Deposits and other accounts	11	419,270,193	367,604,711
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	3,705,176	3,196,743
Other liabilities		17,102,692	15,819,082
		458,826,963	439,483,714
Net assets		73,274,981	69,740,013
Represented by:			
Share capital		7,602,150	6,911,045
Reserves		39,222,532	38,385,760
Un-appropriated profit		17,927,503	15,779,127
		64,752,185	61,075,932
Surplus on revaluation of assets - net of tax		8,522,796	8,664,081
		73,274,981	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.



M.U.A. Usmani
Acting President and Chief Executive



Shahzad Saleem
Director



Abdul Farid Bin Alias
Director



S.M. Muneer
Director

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

For the six months period ended June 30, 2010

	Quarter ended June 30, 2010	Half year ended June 30, 2010	Quarter ended June 30, 2009	Half year ended June 30, 2009
Note	----- (Rupees in '000) -----			
Mark-up / return / interest earned	13,295,156	26,395,968	12,847,323	25,849,695
Mark-up / return / interest expensed	4,322,267	8,699,310	3,857,115	7,765,380
Net mark-up / interest income	8,972,889	17,696,658	8,990,208	18,084,315
Provision against loans and advances - net	1,029,079	1,893,612	1,582,415	3,373,762
Provision for diminution in the value of investments - net	680	124,659	567,677	518,495
Bad debts written off directly	17,948	31,708	-	-
	1,047,707	2,049,979	2,150,092	3,892,257
Net mark-up / interest income after provisions	7,925,182	15,646,679	6,840,116	14,192,058
Non mark-up / interest income				
Fee, commission and brokerage income	1,063,879	2,073,786	897,659	1,782,490
Dividend income	112,259	225,258	92,561	190,024
Income from dealing in foreign currencies	158,413	275,712	(152,758)	279,073
Gain on sale of securities - net	128,640	156,815	20,843	133,332
Unrealized gain on revaluation of investments classified as held for trading	-	-	13,686	1,360
Other income	127,381	259,422	197,896	371,689
Total non mark-up / interest income	1,590,572	2,990,993	1,069,887	2,757,968
	9,515,754	18,637,672	7,910,003	16,950,026
Non-mark-up / interest expenses				
Administrative expenses	3,266,295	5,916,487	2,282,655	4,906,908
Other provisions	4,271	4,308	104,807	107,915
Other charges	284,217	504,756	71,807	246,500
Total non mark-up/interest expenses	3,554,783	6,425,551	2,459,269	5,261,323
	5,960,971	12,212,121	5,450,734	11,688,703
Extra ordinary / unusual item	-	-	-	-
Profit before taxation	5,960,971	12,212,121	5,450,734	11,688,703
Taxation - current period	1,783,526	3,766,817	2,451,359	4,605,510
- prior years	-	-	(23,100)	(85,600)
- deferred	376,361	503,069	(599,043)	(587,696)
	2,159,887	4,269,886	1,829,216	3,932,214
Profit after taxation	3,801,084	7,942,235	3,621,518	7,756,489
Earnings per share - basic and diluted - Rupees	5.00	10.45	4.76	10.20

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



M.U.A. Usmani
Acting President and Chief Executive



Shahzad Saleem
Director



Abdul Farid Bin Alias
Director



S.M. Muneer
Director

Un-Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six months period ended June 30, 2010

	Quarter ended June 30, 2010	Half year ended June 30, 2010	Quarter ended June 30, 2009	Half year ended June 30, 2009
------(Rupees '000') -----				
Profit after tax for the period	3,801,084	7,942,235	3,621,518	7,756,489
Other comprehensive income				
Effect of translation of net investment in foreign branches	44,248	42,548	26,422	9,528
Comprehensive income transferred to equity	3,845,332	7,984,783	3,647,940	7,766,017
Components of comprehensive income not reflected in equity				
Net change in fair value of available for sale securities	(813,801)	(125,026)	760,177	2,502,340
Deferred tax	91,751	(5,364)	(150,830)	(620,027)
	(722,050)	(130,390)	609,347	1,882,313
Total comprehensive income for the period	3,123,282	7,854,393	4,257,287	9,648,330

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



M.U.A. Usmani
Acting President and Chief Executive



Shahzad Saleem
Director



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Director



S.M. Muneer
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended June 30, 2010

	June 30, 2010	June 30, 2009
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	12,212,121	11,688,703
Less: Dividend income	(225,258)	(190,024)
	11,986,863	11,498,679
Adjustments for non-cash charges		
Depreciation	492,445	468,371
Amortization	72,424	72,637
Provision against loans and advances - net	1,893,612	3,373,762
Provision for diminution in the value of investments - net	124,659	518,495
Other provisions	4,308	107,915
Bad debts written off directly	31,708	-
Gain on disposal of fixed assets	(520)	(11,623)
Unrealized gain on revaluation of investments classified as held for trading	-	(1,360)
	2,618,636	4,528,197
	14,605,499	16,026,876
(Increase) / decrease in operating assets		
Lendings to financial institutions	(13,530,103)	(2,287,709)
Net investment in held for trading securities	-	44,579
Advances - net	6,265,755	286,856
Other assets - net	(122,476)	(1,785,274)
	(7,386,824)	(3,741,548)
Increase / (decrease) in operating liabilities		
Bills payable	(2,830,853)	(4,268,216)
Borrowings	(31,283,423)	(6,180,915)
Deposits and other accounts	51,665,482	31,560,356
Other liabilities	2,350,666	(7,095,463)
	19,901,872	14,015,762
	27,120,547	26,301,090
Income tax paid	(8,628,678)	(763,315)
Net cash flows from operating activities	18,491,869	25,537,775
Cash flows from investing activities		
Net investments in available-for-sale securities	(12,920,079)	(22,091,625)
Net investments in held-to-maturity securities	374,360	4,200,347
Investment in subsidiary companies	(84,139)	-
Dividend income received	237,718	153,425
Investment in operating fixed assets - net of disposals	(668,356)	(820,897)
Net cash flows from investing activities	(13,060,496)	(18,558,750)
Cash flows from financing activities		
Dividend paid	(4,290,209)	(3,329,282)
Net cash flows from financing activities	(4,290,209)	(3,329,282)
Exchange difference on translation of net investment in foreign branches	42,548	9,528
Increase in cash and cash equivalents	1,183,712	3,659,271
Cash and cash equivalents at beginning of the period	44,784,864	43,674,272
Cash and cash equivalents at end of period	45,968,576	47,333,543

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



M.U.A. Usmani
Acting President and Chief Executive



Shahzad Saleem
Director



Abdul Farid Bin Alias
Director



S.M. Muneer
Director

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

	Capital Reserves			Revenue Reserves		Total	
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	General reserve	Unappropriated profit	
	(Rupees in '000)						
Balance as at January 01, 2009	6,282,768	9,702,528	188,686	8,277,551	18,600,000	9,193,332	52,244,865
Change in equity for six months ended June 30, 2009							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	10,660	10,660
Exchange differences on translation of net investment in foreign branches	-	-	9,528	-	-	-	9,528
Profit after taxation for six months period ended June 30, 2009	-	-	-	-	-	7,756,489	7,756,489
Total comprehensive income for the period ended June 30, 2009	-	-	9,528	-	-	7,756,489	7,766,017
Transferred to statutory reserve	-	-	-	775,649	-	(775,649)	-
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	(628,277)	-
Final cash dividend - December 31, 2008	-	-	-	-	-	(1,570,692)	(1,570,692)
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)	(1,727,781)
Balance as at June 30, 2009	6,911,045	9,702,528	198,214	9,053,200	18,600,000	12,258,082	56,723,069
Change in equity for six months ended December 31, 2009							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	11,664	11,664
Exchange differences on translation of net investment in foreign branches	-	-	57,937	-	-	-	57,937
Profit after taxation for six months period ended December 31, 2009	-	-	-	-	-	7,738,808	7,738,808
Total comprehensive income for the period ended December 31, 2009	-	-	57,937	-	-	7,738,808	7,796,745
Transferred to statutory reserve	-	-	-	773,881	-	(773,881)	-
Interim cash dividend - June 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Interim cash dividend - September 30, 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Balance as at December 31, 2009	6,911,045	9,702,528	256,151	9,827,081	18,600,000	15,779,127	61,075,932
Change in equity for six months ended June 30, 2010							
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	10,896	10,896
Exchange differences on translation of net investment in foreign branches	-	-	42,548	-	-	-	42,548
Profit after taxation for six months period ended June 30, 2010	-	-	-	-	-	7,942,235	7,942,235
Total comprehensive income for the period ended June 30, 2010	-	-	42,548	-	-	7,942,235	7,984,783
Transferred to statutory reserve	-	-	-	794,224	-	(794,224)	-
Issue of bonus shares - December 31, 2009	691,105	-	-	-	-	(691,105)	-
Final cash dividend - December 31, 2009	-	-	-	-	-	(2,418,877)	(2,418,877)
Interim cash dividend - March 31, 2010	-	-	-	-	-	(1,900,549)	(1,900,549)
Balance as at June 30, 2010	7,602,150	9,702,528	298,699	10,621,305	18,600,000	17,927,503	64,752,185

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



M.U.A. Usmani
Acting President and Chief Executive



Shahzad Saleem
Director



Abdul Farid Bin Alias
Director



S.M. Muneer
Director

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2010**1 STATUS AND NATURE OF BUSINESS**

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg Lahore respectively. The Bank operates 1,085 branches including 11 Islamic banking branches (December 31, 2009: 1,074 branches including 11 Islamic banking branches) within Pakistan and 7 (December 31, 2009: 7) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.2** The financial results of the Islamic banking branches have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating material intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 18 to these unconsolidated condensed interim financial statements.

3 STATEMENT OF COMPLIANCE

- 3.1** These unconsolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.
- 3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26 August 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 3.3** The disclosures made in these unconsolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the disclosures required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2009.

4 BASIS OF MEASUREMENT

- 4.1** These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments, commitments in respect of certain forward foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.
- 4.2** These unconsolidated condensed interim financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 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.

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

7. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	100,000	3,000,000
Repurchase agreement lendings	16,430,103	-
	<u>16,530,103</u>	<u>3,000,000</u>

	June 30, 2010		
	Held by bank	Given as collateral	Total
	----- Rupees in 000 -----		

8 INVESTMENTS - NET

8.1 Investments by types

Held-for-trading securities	8.2	-	-	-
Available-for-sale securities	8.2	166,675,299	1,269,962	167,945,261
Held-to-maturity securities	8.2	13,404,882	-	13,404,882
		<u>180,080,181</u>	<u>1,269,962</u>	<u>181,350,143</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		<u>181,549,146</u>	<u>1,269,962</u>	<u>182,819,108</u>
Less: Provision for diminution in the value of investments		(3,484,578)	-	(3,484,578)
Investments (net of provisions)		<u>178,064,568</u>	<u>1,269,962</u>	<u>179,334,530</u>
Surplus / (deficit) on revaluation of available for sale securities - net		182,057	(1,949)	180,108
Investments at revalued amounts - net of provisions		<u>178,246,625</u>	<u>1,268,013</u>	<u>179,514,638</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 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
		137,481,462	31,649,563	169,131,025
Associates	8.3	1,006,900	-	1,006,900
Subsidiaries		377,926	-	377,926
		1,384,826	-	1,384,826
Investments at cost		138,866,288	31,649,563	170,515,851
Less: Provision for diminution in the value of investments		(3,686,520)	-	(3,686,520)
Investments (net of provisions)		135,179,768	31,649,563	166,829,331
Surplus / (deficit) on revaluation of available for sale securities - net		331,588	(26,454)	305,134
Investments at revalued amounts - net of provisions		135,511,356	31,623,109	167,134,465

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 June 30, 2010 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at June 30, 2010 amounted to Rs. 2,878.371 million (December 31, 2009: Rs. 4,039.049 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
- General provision
- General provision against consumer loans
- General Provision for potential lease losses (in Srilanka Operations)

Advances - net of provision

June 30, 2010	December 31, 2009
----- (Rupees in '000) -----	
242,438,360	247,718,210
9,071,570	7,788,234
251,509,930	255,506,444
3,148,073	3,867,943
62,234	65,492
3,210,307	3,933,435
2,427,702	4,519,520
6,256,935	5,762,777
8,684,637	10,282,297
263,404,874	269,722,176
(17,625,720)	(15,678,345)
(263,405)	(269,722)
(427,149)	(494,434)
(30,268)	(30,268)
(18,346,542)	(16,472,769)
245,058,332	253,249,407

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

9.1 Advances include Rs. 24,133.637 million (December 31, 2009: Rs. 23,238.723 million) which have been placed under non-performing status as detailed below:

		June 30, 2010				
		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
Category of Classification	Note	----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM)	9.1.1	69,217	-	69,217	-	-
Substandard		2,254,760	-	2,254,760	528,767	528,767
Doubtful		3,609,482	69,152	3,678,634	1,771,945	1,771,945
Loss		14,102,946	4,028,080	18,131,026	15,325,008	15,325,008
		20,036,405	4,097,232	24,133,637	17,625,720	17,625,720
December 31, 2009						
		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
Category of Classification		----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM)	9.1.1	76,933	-	76,933	-	-
Substandard		2,960,881	24,728	2,985,609	696,740	696,740
Doubtful		4,242,845	-	4,242,845	1,920,370	1,920,370
Loss		11,965,808	3,967,528	15,933,336	13,061,235	13,061,235
		19,246,467	3,992,256	23,238,723	15,678,345	15,678,345

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

10 BORROWINGS

In Pakistan
Outside Pakistan

June 30, 2010	December 31, 2009
----- (Rupees in '000) -----	
12,085,667	43,658,408
1,292,998	1,003,680
13,378,665	44,662,088

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan

Export refinance scheme
Long term financing facility
Long term financing - export oriented products scheme

8,559,720	8,829,527
-	80,220
2,040,204	2,018,330
10,599,924	10,928,077

Borrowings from other financial institutions
Repurchase agreement borrowings

496,158	452,398
1,387,235	31,606,331
1,883,393	32,058,729

12,483,317 42,986,806

Unsecured

Overdrawn nostro accounts
Call borrowings

490,769	529,190
404,579	1,146,092
895,348	1,675,282
13,378,665	44,662,088

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

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
11 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	75,258,758	62,651,531
Savings deposits	192,900,037	173,797,078
Current accounts	142,557,034	123,898,324
Margin accounts	3,014,045	2,910,655
Others	10	767
	413,729,884	363,258,355
Financial institutions		
Remunerative deposits	3,069,923	2,258,295
Non-remunerative deposits	2,470,386	2,088,061
	5,540,309	4,346,356
	419,270,193	367,604,711

12 DEFERRED TAX LIABILITY / (ASSET) - NET

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

Taxable temporary differences on:

Surplus on revaluation of operating fixed assets	497,780	503,649
Accelerated tax depreciation	710,293	749,828
Receivable from pension fund	3,838,307	3,262,911
Net investment in finance lease	179,090	301,189
	5,225,470	4,817,577

Deductible temporary differences on:

Deficit on revaluation of securities	(84,689)	(90,053)
Provision for contributory benevolent scheme	(35,578)	(46,604)
Provision for post retirement medical benefits	(377,891)	(399,420)
Provision for bad debts	(1,022,136)	(1,084,757)
	(1,520,294)	(1,620,834)
	3,705,176	3,196,743

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

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
13 CONTINGENCIES AND COMMITMENTS		
13.1 Transaction-related contingent liabilities / commitments		
Guarantees in favour of:		
- Government	5,204,602	6,027,243
- Banks and financial institutions	7,605,841	11,312,597
- Others	5,914,291	4,755,380
Suppliers' credit / payee guarantee	2,128,779	2,421,640
	20,853,513	24,516,860
13.2 Trade-related contingent liabilities	56,738,975	47,577,037
13.3 Other contingencies		
Claims against the Bank not acknowledged as debts	567,945	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.

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

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
13.5 Commitments in respect of forward foreign exchange contracts		
Purchase	29,484,373	23,832,214
Sale	27,028,005	23,037,004
13.6 Commitments for the acquisition of fixed assets	79,367	-
13.7 Commitments in respect of:		
Forward Lending	8,000,000	-
13.8 Other commitments		
Cross currency swaps (notional amount)	201,408	249,690
Interest rate swaps (notional amount)	-	166,667
FX Option	756,178	-

13.9 Taxation

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

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

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

	June 30, 2010	June 30, 2009
	---- (Rupees in '000) ----	
14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	7,942,235	7,756,489
	<i>Number of shares</i>	
Weighted average number of shares outstanding during the period	760,214,980	760,214,980
	<i>Rupees</i>	
Basic and diluted Earnings per share - after tax	10.45	10.20

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 six months period ended June 30, 2010

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Six months ended June 30, 2010					
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
Total income	63,736	7,382,670	12,310,494	9,630,061	29,386,961
Total expenses	(14,534)	(1,121,355)	(14,663,607)	(1,375,344)	(17,174,840)
Income tax expense	-	-	-	-	(4,269,886)
Net income	49,202	6,261,315	(2,353,113)	8,254,717	7,942,235
Segment assets - (Gross of NPLs Provisions)	-	208,549,189	119,230,124	218,182,762	545,962,075
Advance tax - net of provision	-	-	-	-	3,765,589
Total assets	-	208,549,189	119,230,124	218,182,762	549,727,664
Segment non performing loans	-	-	7,198,234	16,935,403	24,133,637
Segment specific provision required	-	-	5,257,146	12,368,574	17,625,720
Segment liabilities	-	183,716,744	92,272,312	179,132,731	455,121,787
Deferred tax liabilities - net	-	-	-	-	3,705,176
Total liabilities - net	-	183,716,744	92,272,312	179,132,731	458,826,963
Segment return on assets (ROA) (%)	-	6.00%	-4.13%	8.02%	3.01%
Segment cost of fund (%)	-	11.41%	3.88%	4.89%	4.29%

Six months ended June 30, 2009					
Total income	62,330	5,547,489	13,357,284	9,640,560	28,607,663
Total expenses	(11,916)	(1,326,456)	(13,779,167)	(1,801,421)	(16,918,960)
Income tax expense	-	-	-	-	(3,932,214)
Net income	50,414	4,221,033	(421,883)	7,839,139	7,756,489
Segment assets - (Gross of NPLs provision)	-	137,940,124	132,092,486	210,821,724	480,854,334
Total assets	-	137,940,124	132,092,486	210,821,724	480,854,334
Segment non performing loans	-	-	7,473,362	13,390,080	20,863,442
Segment specific provision required	-	-	4,718,222	8,453,674	13,171,896
Segment liabilities	-	121,144,568	103,153,127	174,429,971	398,727,666
Deferred tax assets	-	-	-	-	469,467
Provision for taxation	-	-	-	-	3,699,392
Total liabilities - net	-	121,144,568	103,153,127	174,429,971	402,896,525
Segment return on assets (ROA) (%)	-	6.12%	-0.66%	7.75%	3.32%
Segment cost of fund (%)	-	3.05%	3.84%	4.09%	3.86%

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

17 RELATED PARTY TRANSACTIONS

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

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

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

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	Six months ended June 30, 2010	Year ended Dec 31, 2009	Six months ended June 30, 2010	Year ended Dec 31, 2009	Six months ended June 30, 2010	Year ended Dec 31, 2009	Six months ended June 30, 2010	Year ended Dec 31, 2009
(Rupees in '000)								
Deposits								
Deposits at beginning of the period / year	1,394,294	426,196	709,726	832,872	38,047	29,303	17,518,224	4,952,402
Deposits received during the period / year	30,183,120	20,156,909	61,074,169	137,233,548	521,246	598,908	87,159,740	219,380,319
Deposits repaid during the period / year	(29,467,050)	(19,188,811)	(61,042,789)	(137,356,694)	(503,720)	(590,164)	(82,698,695)	(206,814,497)
Deposits at the end of the period / year	2,110,364	1,394,294	741,106	709,726	55,573	38,047	21,979,269	17,518,224
Advances (secured)								
Balance at beginning of the period / year	-	-	-	-	1,141	1,640	-	-
Loan granted during the period / year	-	-	-	-	-	-	-	-
Repayment during the period / year	-	-	-	-	(272)	(499)	-	-
Balance at end of the period / year	-	-	-	-	869	1,141	-	-
							June 30, 2010	December 31, 2009
							(Rupees in '000)	
Receivable from Pension Fund							10,966,297	9,322,304
	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	June 30, 2010	June / December 31, 2009	June 30, 2010	June / December 31, 2009	June 30, 2010	June / December 31, 2009	June 30, 2010	June / December 31, 2009
(Rupees in '000)								
Adamjee Insurance Company Limited								
Insurance premium paid	-	-	193,754	182,058	-	-	-	-
Insurance claim settled	-	-	30,393	28,429	-	-	-	-
Dividend received	-	-	49,137	29,780	-	-	-	-
Rent income received	-	-	4,567	8,846	-	-	-	-
Mayban International Trust (Labuan) Berhad								
Dividend paid	-	-	863,880	628,276	-	-	-	-
Bonus shares issued	-	-	138,221	125,655	-	-	-	-
Forward foreign exchange contracts (Notional)	-	-	4,146,954	3,408,431	-	-	-	-
Unrealized loss on forward foreign exchange contracts	-	-	104,258	36,213	-	-	-	-
MNET Services (Private) Limited								
Outsourcing service expenses	-	-	-	-	38,347	29,479	-	-
Networking service expenses	-	-	-	-	6,863	443	-	-
Switch revenue	-	-	-	-	62	320	-	-
Payment system managed service revenue (PSM)	-	-	-	-	13,361	14,464	-	-
Payable for trade debts	-	-	-	-	31,323	35,501	-	-
"MCB Leasing" Closed Joint Stock Company								
- Capital injection	-	-	-	-	84,138	394	-	-
MCB Asset Management Company Limited								
- Markup paid	-	-	-	-	19	558	-	-
- Markup payable	-	-	-	-	48	51	-	-
- Others	-	-	-	-	1,313	1,001	-	-
MCB Trade Services								
- Dividend received	-	-	-	-	9,929	11,315	-	-
MCB Employees Foundation								
- Service expenses	-	-	-	-	-	-	9,156	8,476
- Cash sorting expenses	-	-	-	-	-	-	13,394	9,626
- Cash in transit expenses	-	-	-	-	-	-	219	799
- Security guard expenses	-	-	-	-	-	-	80,713	72,378
Advance receivable	-	-	-	-	-	-	20,000	20,000
Others								
- Remuneration of key management personnel	48,773	32,646	-	-	-	-	147,857	112,324
- Miscellaneous expenses	-	-	-	-	-	-	82,737	61,924
- Contribution to provident fund	-	-	-	-	-	-	78,477	73,562

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 six months period ended June 30, 2010

18 ISLAMIC BANKING BUSINESS

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

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	444,508	315,766
Investments - net	1,549,323	1,671,364
Financing and receivables		
- Murabaha	1,550,683	1,466,368
- Ijara	587,060	771,734
- Islamic export refinance	1,100,494	1,239,498
Deferred tax assets	2,725	1,352
Other assets	1,933,841	2,725,991
	7,168,634	8,192,073
Liabilities		
Bills payable	9,383	15,779
Deposits and other accounts		
- Current accounts	310,871	231,793
- Saving accounts	2,576,169	1,450,493
- Term deposits	1,647,057	271,760
- Others	1,491	2,790
Borrowing from SBP	1,068,773	1,137,307
Due to head office	104,683	3,600,000
Deferred tax liability	-	-
Other liabilities	478,446	420,598
	6,196,873	7,130,520
Net assets	971,761	1,061,553
Represented by:		
Islamic Banking Fund	850,000	850,000
Unappropriated profit	126,822	214,064
	976,822	1,064,064
Surplus / (deficit) on revaluation of assets - net of tax	(5,061)	(2,511)
	971,761	1,061,553
Charity fund		
Opening balance	1,998	2,093
Additions during the period / year	649	1,405
Payments/ utilization during the period / year	-	(1,500)
Closing balance	2,647	1,998

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

The profit and loss account of the Bank's Islamic Banking Branches for the six months period ended June 30, 2010 is as follows:

	Six months ended June 30, 2010	Six months ended June 30, 2009
	----- (Rupees in '000) -----	
Income / return / profit earned	608,035	598,663
Income / return / profit expended	424,571	376,839
Net Income / Profit	183,464	221,824
Provision against loans and advances - net	-	37,782
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	-	37,782
Net profit / income after provisions	183,464	184,042
Other income		
Fees, commission and brokerage income	12,853	2,703
Dividend income	-	-
Income from dealing in foreign currencies	1,899	3,384
Other Income	6,360	5,306
Total other income	21,112	11,393
	204,576	195,435
Other expenses		
Administrative expenses	77,748	48,123
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	6	220
Total other expenses	77,754	48,343
Extra ordinary / unusual items	-	-
Profit before taxation	126,822	147,092
Remuneration to Shariah Advisor / Board	646	623

19 GENERAL

- Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- Comparative information has been reclassified and rearranged in these financial statements for the purpose of comparison.

No significant reclassification has been made except for as follows:

Description	Quarter ended June 30, 2010	Half year ended June 30, 2010	Reclassified	
	(Rupees in '000)		From	To
Exchange income on import / export bills purchased / negotiated	21,920	45,083	Other income	Fee, commission and brokerage income
Commission on home remittance	19,104	57,423	Other income	Fee, commission and brokerage income
Provision against fraud and forgeries	104,342	104,381	Other charges	Other provisions

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on August 05, 2010 has announced cash dividend in respect of the six months period ended June 30, 2010 of Rs. 3.0 per share (June 30, 2009: Rs 2.50 per share). These unconsolidated condensed interim financial statements for the six months period ended June 30, 2010 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

21 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on August 05, 2010 .



M.U.A. Usmani
Acting President and Chief Executive



Shahzad Saleem
Director



Abdul Farid Bin Alias
Director



S.M. Muneer
Director



MCB BANK LIMITED

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

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

As at June 30, 2010

	Note	Unaudited June 30, 2010	Audited December 31, 2009
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		44,462,982	38,774,871
Balances with other banks		1,612,426	6,077,354
Lendings to financial institutions	7	16,530,103	3,000,000
Investments - net	8	181,840,303	169,484,647
Advances - net	9	245,057,463	253,248,265
Operating fixed assets		18,217,356	18,099,010
Deferred tax assets - net		-	-
Other assets - net		26,960,482	23,057,731
		534,681,115	511,741,878
Liabilities			
Bills payable		5,370,237	8,201,090
Borrowings	10	13,378,665	44,662,088
Deposits and other accounts	11	419,214,621	367,581,075
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	3,720,070	3,201,756
Other liabilities		17,106,739	15,782,589
		458,790,332	439,428,598
Net assets			
		75,890,783	72,313,280
Represented by:			
Share capital		7,602,150	6,911,045
Reserves		39,223,333	38,387,656
Un-appropriated profit		20,065,740	17,821,670
		66,891,223	63,120,371
Minority interest		3,531	71
		66,894,754	63,120,442
Surplus on revaluation of assets - net of tax		8,996,029	9,192,838
		75,890,783	72,313,280


Contingencies and commitments

13

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




M.U.A. Usmani
Acting President and Chief Executive



Shahzad Saleem
Director



Abdul Farid Bin Alias
Director



S.M. Muneer
Director


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

For the six months period ended June 30, 2010

	Note	Quarter ended June 30, 2010	Half year ended June 30, 2010	Quarter ended June 30, 2009	Half year ended June 30, 2009
----- (Rupees in '000) -----					
Mark-up / return / interest earned		13,296,972	26,399,570	12,848,869	25,852,752
Mark-up / return / interest expensed		4,321,713	8,698,202	3,856,760	7,764,822
Net mark-up / interest income		8,975,259	17,701,368	8,992,109	18,087,930
Provision against loans and advances - net		1,029,079	1,893,612	1,582,415	3,373,762
Provision for diminution in the value of investments - net		680	124,659	567,677	518,495
Bad debts written off directly		17,948	31,708	-	-
		1,047,707	2,049,979	2,150,092	3,892,257
Net mark-up / interest income after provisions		7,927,552	15,651,389	6,842,017	14,195,673
Non mark-up / interest income					
Fee, commission and brokerage income		1,064,546	2,074,887	899,538	1,785,464
Income from trustee ship		6,030	11,386	4,147	8,158
Dividend income		54,879	167,878	81,246	148,929
Income from dealing in foreign currencies		158,413	275,712	(152,758)	279,073
Gain / (loss) on sale of securities - net		137,624	155,598	18,707	131,979
Unrealized gain / (loss) on revaluation of investments classified as held for trading		(537)	19,139	22,345	28,431
Other income		182,537	366,574	230,643	427,899
Total non mark-up / interest income		1,603,492	3,071,174	1,103,868	2,809,933
		9,531,044	18,722,563	7,945,885	17,005,606
Non-mark-up / interest expenses					
Administrative expenses		3,330,235	6,013,007	2,286,125	4,921,062
Other provisions		4,271	4,308	104,807	107,915
Other charges		285,305	505,844	96,056	287,015
Total non mark-up/interest expenses		3,619,811	6,523,159	2,486,988	5,315,992
Share of profit of associated undertaking		75,516	174,394	81,122	220,044
		5,986,749	12,373,798	5,540,019	11,909,658
Extra ordinary / unusual item		-	-	-	-
Profit before taxation		5,986,749	12,373,798	5,540,019	11,909,658
Taxation - current period		1,792,472	3,778,129	2,454,578	4,611,320
- prior years		-	-	(23,100)	(85,600)
- deferred		378,764	512,981	(598,440)	(588,033)
Share of tax of associated undertaking		20,236	45,777	40,675	51,681
		2,191,472	4,336,887	1,873,713	3,989,368
Profit after taxation		3,795,277	8,036,911	3,666,306	7,920,290
Minority interest		992	990	(2)	(5)
Profit attributable to ordinary shareholders		3,796,269	8,037,901	3,666,304	7,920,285
Earnings per share - basic and diluted - Rupees	14	4.99	10.57	4.82	10.42

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


M.U.A. Usmani
Acting President and Chief Executive


Shahzad Saleem
Director


Abdul Farid Bin Alias
Director


S.M. Muneer
Director

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

	Quarter ended June 30, 2010	Half year ended June 30, 2010	Quarter ended June 30, 2009	Half year ended June 30, 2009
------(Rupees '000') -----				
Profit after tax for the period	3,795,277	8,036,911	3,666,306	7,920,290
Other comprehensive income				
Effect of translation of net investment in foreign branches	43,190	41,453	26,535	10,007
Comprehensive income transferred to equity	3,838,467	8,078,364	3,692,841	7,930,297
Net change in fair value of available for sale securities	(813,801)	(125,026)	760,177	2,502,340
Income tax	91,751	(5,364)	(150,830)	(620,027)
	(722,050)	(130,390)	609,347	1,882,313
Total comprehensive income for the period	3,116,417	7,947,974	4,302,188	9,812,610

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



M.U.A. Usmani
Acting President and Chief Executive



Shahzad Saleem
Director



Abdul Farid Bin Alias
Director



S.M. Muneer
Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended June 30, 2010

	Half year ended June 30, 2010	Half year ended June 30, 2009
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	12,373,798	11,909,658
Less: Dividend income and share of profit of associated undertaking	(342,272)	(368,973)
	12,031,526	11,540,685
Adjustments for non-cash charges		
Depreciation	495,179	468,371
Amortization	72,543	72,637
Provision against loans and advances - net	1,893,612	3,373,762
Provision for diminution in the value of investments - net	124,659	518,495
Other provisions	4,308	107,915
Bad debts written off directly	31,708	-
Gain on disposal of fixed assets	(520)	(11,623)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(19,139)	(28,431)
	2,602,350	4,501,126
	14,633,876	16,041,811
(Increase) / decrease in operating assets		
Lendings to financial institutions	(13,530,103)	(2,287,709)
Net investments in 'held for trading' securities	(16,532)	38,523
Advances - net	6,265,482	286,614
Other assets - net	(151,308)	(1,931,891)
	(7,432,461)	(3,894,463)
Increase / (decrease) in operating liabilities		
Bills payable	(2,830,853)	(4,268,216)
Borrowings	(31,283,423)	(6,180,915)
Deposits and other accounts	51,633,546	31,572,115
Other liabilities	2,391,206	(7,160,227)
	19,910,476	13,962,757
	27,111,891	26,110,105
Income tax paid	(8,642,610)	(692,894)
Net cash flows from operating activities	18,469,281	25,417,211
Cash flows from investing activities		
Net investments in available-for-sale securities	(12,920,079)	(22,076,625)
Net investments in held-to-maturity securities	374,360	4,185,347
Dividend income received	229,475	264,188
Proceeds from issue of shares to minority interest	4,450	-
Investment in operating fixed assets - net of disposals	(685,548)	(818,247)
Net cash flows from investing activities	(12,997,342)	(18,445,337)
Cash flows from financing activities		
Dividend paid	(4,290,209)	(3,329,282)
Net cash flows from financing activities	(4,290,209)	(3,329,282)
Exchange difference on translation of net investment in foreign branches	41,453	10,007
Increase in cash and cash equivalents	1,223,183	3,652,599
Cash and cash equivalents at beginning of the period	44,852,225	43,737,745
Cash and cash equivalents at end of the period	46,075,408	47,390,344

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



M.U.A. Usmani
Acting President and Chief Executive



Shahzad Saleem
Director



Abdul Farid Bin Alias
Director




S.M. Muneer
Director

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

	Capital Reserves			Statutory reserve	Revenue Reserves		Sub total	Minority interest	Total
	Share capital	Share premium	Exchange translation reserve		General reserve	Unappropriated profit			
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 six months ended June 30, 2009									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	10,687	10,687	-	10,687
Exchange differences on translation of net investment in foreign branches	-	-	10,007	-	-	-	10,007	-	10,007
Profit after taxation for six months period ended June 30, 2009	-	-	-	-	-	7,920,290	7,920,290	-	7,920,290
Total comprehensive income for the period ended June 30, 2009	-	-	10,007	-	-	7,920,290	7,930,297	-	7,930,297
Share of profit attributable to minority interest	-	-	-	-	-	(5)	(5)	5	-
Transferred to statutory reserve	-	-	-	775,649	-	(775,649)	-	-	-
Issue of bonus shares - December 31, 2008	628,277	-	-	-	-	(628,277)	-	-	-
Final cash dividend - December 31, 2008	-	-	-	-	-	(1,570,692)	(1,570,692)	-	(1,570,692)
Interim cash dividend - March 31, 2009	-	-	-	-	-	(1,727,781)	(1,727,781)	-	(1,727,781)
Balance as at June 30, 2009	6,911,045	9,702,528	202,249	9,053,200	18,600,000	14,294,296	58,763,318	74	58,763,392
Change in equity for six months ended December 31, 2009									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	11,687	11,687	-	11,687
Exchange differences on translation of net investment in foreign branches	-	-	55,798	-	-	-	55,798	-	55,798
Profit after taxation for six months period ended December 31, 2009	-	-	-	-	-	7,745,113	7,745,113	-	7,745,113
Total comprehensive income for the period ended December 31, 2009	-	-	55,798	-	-	7,745,113	7,800,911	-	7,800,911
Share of profit attributable to minority interest	-	-	-	-	-	1	1	(1)	-
Transferred to statutory reserve	-	-	-	773,881	-	(773,881)	-	-	-
Dividend attributable to minority share holders	-	-	-	-	-	-	-	(2)	(2)
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 six months ended June 30, 2010									
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	10,924	10,924	-	10,924
Exchange differences on translation of net investment in foreign branches	-	-	41,453	-	-	-	41,453	-	41,453
Profit after taxation for six months period ended June 30, 2010	-	-	-	-	-	8,036,911	8,036,911	-	8,036,911
Total comprehensive income for the period ended June 30, 2010	-	-	41,453	-	-	8,036,911	8,078,364	-	8,078,364
Share of profit attributable to minority interest	-	-	-	-	-	990	990	(990)	-
Share of capital attributable to minority interest	-	-	-	-	-	-	-	4,450	4,450
Transferred to statutory reserve	-	-	-	794,224	-	(794,224)	-	-	-
Issue of bonus shares - December 31, 2009	691,105	-	-	-	-	(691,105)	-	-	-
Final cash dividend - December 31, 2009	-	-	-	-	-	(2,418,877)	(2,418,877)	-	(2,418,877)
Interim cash dividend - March 31, 2010	-	-	-	-	-	(1,900,549)	(1,900,549)	-	(1,900,549)
Balance as at June 30, 2010	7,602,150	9,702,528	299,500	10,621,305	18,600,000	20,065,740	66,891,223	3,531	66,894,754

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


M.U.A. Usmani
Acting President and Chief Executive


Shahzad Saleem
Director


Abdul Farid Bin Alias
Director


S.M. Muneer
Director

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

For the six months period ended June 30, 2010

1 STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company

- MCB Bank Limited

"Percentage holding of
MCB Bank Limited"

Subsidiary Companies

- MCB Financial Services Limited

99.99%

- MNET Services (Private) Limited

99.95%

- MCB Trade Services Limited

100%

- MCB Asset Management Company Limited

99.99%

- "MCB Leasing" Closed Joint Stock Company

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 1,085 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 June 30, 2010 and the carrying value of investments held by the bank is eliminated against the subsidiaries' shareholders' equity in these consolidated condensed interim financial statements. Material intra-Group balances and transactions have been eliminated.

b) Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost, thereafter adjusted for the post-acquisition change in the Group's share of net assets of the associate. The cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in associate has been accounted for based on the financial statements for the period ended June 30, 2010.

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

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

3 STATEMENT OF COMPLIANCE

- 3.1** These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.
- 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 Group for the year ended December 31, 2009.

4 BASIS OF MEASUREMENT

- 4.1** These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments, commitments in respect of certain forward foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.
- 4.2** These consolidated condensed interim financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

- 5.1** The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Group for the year ended December 31, 2009.
- 5.2** The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Group for the year ended December 31, 2009.

6 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 Group for the year ended December 31, 2009.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Call money lendings	100,000	3,000,000
Repurchase agreement lendings	16,430,103	-
	16,530,103	3,000,000

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

8 INVESTMENTS - NET

8.1 Investments by types

June 30, 2010			
	Held by bank	Given as collateral	Total
	----- Rupees in 000 -----		
Held-for-trading securities	348,530	-	348,530
Available-for-sale securities	166,675,299	1,269,962	167,945,261
Held-to-maturity securities	13,404,882	-	13,404,882
	180,428,711	1,269,962	181,698,673
Adamjee Insurance Company Limited	3,363,662	-	3,363,662
First Women Bank Limited	63,300	-	63,300
	3,426,962	-	3,426,962
Investments at cost	183,855,673	1,269,962	185,125,635
Less: Provision for diminution in the value of investments	(3,484,578)	-	(3,484,578)
Investments (net of provisions)	180,371,095	1,269,962	181,641,057
Surplus on revaluation of available for sale securities - net	182,057	(1,949)	180,108
Surplus on revaluation of held-for-trading securities - net	19,138	-	19,138
Investments at revalued amounts - net of provisions	180,572,290	1,268,013	181,840,303

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

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

- 8.2** Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2009: Rs. 232.600 million) earmarked by the State Bank of Pakistan and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (December 31, 2009: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.
- 8.3** Investment of the 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, 2010 amounted to Rs. 2,878.371 million (December 31, 2009: Rs. 4,039.049 million).

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Opening Balance	3,339,710	2,511,489
Share of profit before tax	174,394	200,196
Dividend from Associate	(49,137)	(78,917)
Share of tax	(45,777)	(464)
	79,480	120,815
Share of unrealised surplus / (deficit) on assets - net of tax	(55,528)	707,406
Closing balance	3,363,662	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

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	242,438,360	247,718,210
- Outside Pakistan	9,071,570	7,788,234
	251,509,930	255,506,444
Net Investment in finance lease		
- In Pakistan	3,147,204	3,866,801
- Outside Pakistan	62,234	65,492
	3,209,438	3,932,293
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	2,427,702	4,519,520
- Payable outside Pakistan	6,256,935	5,762,777
	8,684,637	10,282,297
Advances - gross	263,404,005	269,721,034
Less: Provision against loans and advances		
- Specific provision	(17,625,720)	(15,678,345)
- General provision	(263,405)	(269,722)
- General provision against consumer loans	(427,149)	(494,434)
- General Provision for potential lease losses (in Sri Lanka Operations)	(30,268)	(30,268)
	(18,346,542)	(16,472,769)
Advances - net of provision	245,057,463	253,248,265

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

- 9.1** Advances include Rs. 24,133.637 million (December 31, 2009: Rs. 23,238.723 million) which have been placed under non-performing status as detailed below:

Category of Classification		June 30, 2010				
		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
Other Assets Especially Mentioned (OAEM)	9.1.1	69,217	-	69,217	-	-
Substandard		2,254,760	-	2,254,760	528,767	528,767
Doubtful		3,609,482	69,152	3,678,634	1,771,945	1,771,945
Loss		14,102,946	4,028,080	18,131,026	15,325,008	15,325,008
		20,036,405	4,097,232	24,133,637	17,625,720	17,625,720

		December 31, 2009				
Category of Classification		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
		----- Rupees in '000 -----				
Other Assets Especially Mentioned (OAEM)	9.1.1	76,933	-	76,933	-	-
Substandard		2,960,881	24,728	2,985,609	696,740	696,740
Doubtful		4,242,845	-	4,242,845	1,920,370	1,920,370
Loss		11,965,808	3,967,528	15,933,336	13,061,235	13,061,235
		19,246,467	3,992,256	23,238,723	15,678,345	15,678,345

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

10 BORROWINGS

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
In Pakistan	12,085,667	43,658,408
Outside Pakistan	1,292,998	1,003,680
	13,378,665	44,662,088

10.1 Details of borrowings (secured / unsecured)
Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	8,559,720	8,829,527
Long term financing facility	-	80,220
Long term financing - export oriented products scheme	2,040,204	2,018,330
	10,599,924	10,928,077
Borrowings from other financial institutions	496,158	452,398
Repurchase agreement borrowings	1,387,235	31,606,331
	1,883,393	32,058,729
	12,483,317	42,986,806
Unsecured		
Overdrawn nostro accounts	490,769	529,190
Call borrowings	404,579	1,146,092
	895,348	1,675,282
	13,378,665	44,662,088

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

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
11 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	75,238,758	62,651,531
Savings deposits	192,885,407	173,773,442
Current accounts	142,536,092	123,898,324
Margin accounts	3,014,045	2,910,655
Others	10	767
	413,674,312	363,234,719
Financial institutions		
Remunerative deposits	3,069,923	2,258,295
Non-remunerative deposits	2,470,386	2,088,061
	5,540,309	4,346,356
	419,214,621	367,581,075

12 DEFERRED TAX LIABILITY / (ASSET) - NET

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

Taxable temporary differences on:

Surplus on revaluation of operating fixed assets	498,238	504,200
Accelerated tax depreciation	725,943	756,384
Receivable from pension fund	3,838,307	3,262,911
Net investment in finance lease	179,090	301,166
	5,241,578	4,824,661

Deductible temporary differences on:

Deficit on revaluation of securities	(84,689)	(90,053)
Provision for contributory benevolent scheme	(35,578)	(46,604)
Provision for post retirement medical benefits	(377,891)	(399,420)
Provision for bad debts	(1,022,353)	(1,084,974)
Provision for gratuity	(399)	(399)
Others	(598)	(1,455)
	(1,521,508)	(1,622,905)
	3,720,070	3,201,756

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

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

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

- Government	4,785,445	6,027,243
- Banks and financial institutions	7,615,393	11,312,597
- Others	6,323,896	4,755,380
Suppliers' credit / payee guarantee	2,128,779	2,421,640
	20,853,513	24,516,860

13.2 Trade-related contingent liabilities

	56,738,975	47,577,037
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Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the six months period ended June 30, 2010

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
13.3 Other contingencies		
Claims against the Bank not acknowledged as debts	567,945	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	29,484,373	23,832,214
Sale	27,028,005	23,037,004
13.6 Commitments for the acquisition of fixed assets	79,367	-
13.7 Commitments in respect of:		
Forward Lending	8,000,000	-
13.8 Other commitments		
Cross currency swaps (notional amount)	201,408	249,690
Interest rate swaps (notional amount)	-	166,667
FX Option	756,178	-

13.8 Taxation

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

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

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

	Six months ended	
	June 30, 2010	June 30, 2009
	---- (Rupees in '000) ----	
14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX		
Profit after taxation	8,037,901	7,920,285
	<i>Number of shares</i>	
Weighted average number of shares outstanding during the period	760,214,980	760,214,980
	<i>Rupees</i>	
Basic and diluted Earnings per share - after tax	10.57	10.42

15 CREDIT RATING

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

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

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Six months ended June 30, 2010						
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination	Total
	------(Rupees in '000)-----						
Total income	76,415	7,419,038	12,376,374	9,712,379	121,035	(60,103)	29,645,138
Total expenses	(23,409)	(1,127,192)	(14,700,931)	(1,408,771)	(71,140)	60,103	(17,271,340)
Income tax expense	-	-	-	-	-	-	(4,336,887)
Net income	53,006	6,291,846	(2,324,557)	8,303,608	49,895	-	8,036,911
Segment assets - (Gross of NPLs Provisions)	32,513	209,556,109	119,844,533	219,222,998	494,836	(612,365)	548,538,624
Advance tax - net of provision	-	-	-	-	-	-	3,768,211
Total assets	32,513	209,556,109	119,844,533	219,222,998	494,836	(612,365)	552,306,835
Segment non performing loans	-	-	6,786,639	17,346,998	-	-	24,133,637
Segment specific provision required	-	-	5,007,042	12,618,678	-	-	17,625,720
Segment liabilities	-	183,919,462	92,391,808	179,338,597	32,760	(612,365)	455,070,262
Deferred tax liabilities - net	-	-	-	-	-	-	3,720,070
Total liabilities - net	-	183,919,462	92,391,808	179,338,597	32,760	(612,365)	458,790,332
Segment return on assets (ROA) (%)	-	6.00%	-4.05%	8.04%	20.17%	0.00%	3.03%
Segment cost of fund (%)	-	11.41%	3.88%	4.89%	0.00%	0.00%	4.29%
Six months ended June 30, 2009							
Total income	71,334	5,587,141	13,526,746	9,666,800	81,199	(50,491)	28,882,729
Total expenses	(20,540)	(1,325,749)	(13,886,724)	(1,741,625)	(48,924)	50,491	(16,973,071)
Income tax expense	-	-	-	-	-	-	(3,989,368)
Net income	50,794	4,261,392	(359,978)	7,925,175	32,275	-	7,920,290
Segment assets - (Gross of NPLs provision)	-	138,450,307	132,625,282	211,630,322	448,580	(458,739)	482,695,752
Total assets	-	138,450,307	132,625,282	211,630,322			482,695,752
Segment non performing loans	-	-	7,473,362	13,390,080			20,863,442
Segment specific provision required	-	-	4,718,222	8,453,674			13,171,896
Segment liabilities	-	121,269,837	103,271,510	174,600,866	34,814	(458,739)	398,718,288
Deferred tax assets	-	-	-	-	-	-	472,289
Provision for taxation	-	-	-	-	-	-	3,702,611
Total liabilities - net	-	121,269,837	103,271,510	174,600,866	34,814	(458,739)	402,893,188
Segment return on assets (ROA) (%)	-	6.16%	-0.56%	7.80%	14.39%	0.00%	3.37%
Segment cost of fund (%)	-	3.05%	3.84%	4.09%			3.86%

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

17 RELATED PARTY TRANSACTIONS

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

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

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

	Directors		Associated companies		Other Related Parties	
	Six months ended June 30, 2010	Year ended Dec 31, 2009	Six months ended June 30, 2010	Year ended Dec 31, 2009	Six months ended June 30, 2010	Year ended Dec 31, 2009
(Rupees in '000)						
Deposits						
Deposits at beginning of the period / year	1,394,294	426,196	709,726	832,872	17,518,224	4,952,402
Deposits received during the period / year	30,183,120	20,156,909	61,074,169	137,233,548	87,159,740	219,380,319
Deposits repaid during the period / year	(29,467,050)	(19,188,811)	(61,042,789)	(137,356,694)	(82,698,695)	(206,814,497)
Deposits at the end of the period / year	2,110,364	1,394,294	741,106	709,726	21,979,269	17,518,224
					June 30, 2010	December 31, 2009
					(Rupees in '000)	
Receivable from Pension Fund					10,966,297	9,322,304
	Directors		Associated companies		Other Related Parties	
	June 30, 2010	June / December 31, 2009	June 30, 2010	June / December 31, 2009	June 30, 2010	June / December 31, 2009
(Rupees in '000)						
Adamjee Insurance Company Limited						
Insurance premium paid	-	-	193,754	182,058	-	-
Insurance claim settled	-	-	30,393	28,429	-	-
Dividend received	-	-	49,137	29,780	-	-
Rent income received	-	-	4,567	8,846	-	-
Mayban International Trust (Labuan) Berhad						
Dividend paid	-	-	863,880	628,276	-	-
Bonus shares issued	-	-	138,221	125,655	-	-
Forward foreign exchange contracts (Notional)	-	-	4,146,954	3,408,431	-	-
Unrealized loss on forward foreign exchange contracts	-	-	104,258	36,213	-	-
MCB Employees Foundation						
- Service expenses	-	-	-	-	9,156	8,476
- Cash sorting expenses	-	-	-	-	13,394	9,626
- Cash in transit expenses	-	-	-	-	219	799
- Security guard expenses	-	-	-	-	80,713	72,378
Others						
- Remuneration of key management personnel	48,773	32,646	-	-	147,857	112,324
- Miscellaneous expenses	-	-	-	-	82,737	61,924
- Contribution to provident fund	-	-	-	-	78,477	73,562

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 six months period ended June 30, 2010

18 ISLAMIC BANKING BUSINESS

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

	June 30, 2010	December 31, 2009
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	444,508	315,766
Investments - net	1,549,323	1,671,364
Financing and receivables		
- Murabaha	1,550,683	1,466,368
- Ijara	587,060	771,734
- Islamic export refinance	1,100,494	1,239,498
Deferred tax assets	2,725	1,352
Other assets	1,933,841	2,725,991
	7,168,634	8,192,073
Liabilities		
Bills payable	9,383	15,779
Deposits and other accounts		
- Current accounts	310,871	231,793
- Saving accounts	2,576,169	1,450,493
- Term deposits	1,647,057	271,760
- Others	1,491	2,790
Borrowing from SBP	1,068,773	1,137,307
Due to head office	104,683	3,600,000
Deferred tax liability	-	-
Other liabilities	478,446	420,598
	6,196,873	7,130,520
Net assets	971,761	1,061,553
Represented by:		
Islamic Banking Fund	850,000	850,000
Unappropriated profit	126,822	214,064
	976,822	1,064,064
Surplus / (deficit) on revaluation of assets - net of tax	(5,061)	(2,511)
	971,761	1,061,553
Charity fund		
Opening balance	1,998	2,093
Additions during the period / year	649	1,405
Payments/ utilization during the period / year	-	(1,500)
Closing balance	2,647	1,998

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

For the six months period ended June 30, 2010

The profit and loss account of the bank's Islamic banking Branches for the six months period ended June 30, 2010 is as follows:

	Six months ended June 30, 2010	Six months ended June 30, 2009
	----- (Rupees in '000) -----	
Income / return / profit earned	608,035	598,663
Income / return / profit expensed	424,571	376,839
Net Income / Profit	183,464	221,824
Provision against loans and advances - net	-	37,782
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	-	37,782
Net profit / income after provisions	183,464	184,042
Other income		
Fees, commission and brokerage income	12,853	2,703
Dividend income	-	-
Income from dealing in foreign currencies	1,899	3,384
Other Income	6,360	5,306
Total other income	21,112	11,393
	204,576	195,435
Other expenses		
Administrative expenses	77,748	48,123
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	6	220
Total other expenses	77,754	48,343
Extra ordinary / unusual items	-	-
Profit before taxation	126,822	147,092
Remuneration to Shariah Advisor / Board	646	623

19 GENERAL

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

Description	Quarter (Rupees in '000)	Half year	Reclassified	
			From	To
Exchange income on import / export bills purchased / negotiated	21,920	45,083	Other income	Fee, commission and brokerage income
Commission on home remittance	19,104	57,423	Other income	Fee, commission and brokerage income
Provision against fraud and forgeries	104,342	104,381	Other charges	Other provisions

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on August 05, 2010 has announced cash dividend in respect of the six months period ended June 30, 2010 of Rs.3.0 per share (June 30, 2009: Rs 2.50 per share). These consolidated condensed interim financial statements for the six months period ended June 30, 2010 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

21 DATE OF AUTHORISATION FOR ISSUE

These consolidated condensed interim financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on August 05, 2010 .



M.U.A. Usmani
Acting President and Chief Executive



Shahzad Saleem
Director



Abdul Farid Bin Alias
Director



S.M. Muneer
Director