

First Quarterly Report, 2011

Building Pakistan





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	Director
Shahzad Saleem	Director
Sarmad Amin	Director
Dr. Muhammad Yaqub	Director
Dato' Mohammed Hussein	Director
Mian Raza Mansha	Director
Aftab Ahmad Khan	Director
Mian Umer Mansha	Director
Muhammad Ali Zeb *	Director
Dato' Seri Ismail Shahudin	Director
M.U.A. Usmani	President / CEO

*Resigned on April 07, 2011

AUDIT COMMITTEE

Tariq Rafi	Chairman
Dr. Muhammad Yaqub	Member
Dato' Mohammed Hussein	Member
Aftab Ahmad Khan	Member
Muhammad Ali Zeb*	Member

*Resigned on April 07, 2011

Chief Financial Officer	Salman Zafar Siddiqi
Company Secretary	Abdus S. Sami
Auditors	A.F. Fergusons & 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 - MARCH 31, 2011

I am pleased to place before you, on behalf of the Board of Directors, the quarterly financial statements of your Bank for the period ended March 31, 2011.

Financial Highlights

Profit before taxation

Taxation

Profit after taxation

Un-appropriated profit brought forward

Transfer from surplus on revaluation of fixed assets (net of tax)

Profit available for appropriation

Appropriations:

Statutory reserve

Final Cash Dividend – December 2010

Transfer to reserve for issue of bonus shares – December 2010

Total appropriations

Un-appropriated profit carried forward

Rs. in Million
7,836
(2,813)
5,023
21,415
9
21,424
26,447
502
2,281
760
3,543
22,904

Performance Review

The Bank registered remarkable performance in the first quarter as profit before and after tax increased to Rs. 7.836 billion and Rs. 5.023 billion respectively, increasing by 25% and 21% over the corresponding quarter last year. Net Interest Income of the Bank increased by 25% over March 2010 with non markup income increasing by 43% to Rs. 2.008 billion. On the operating expenses side, gross administrative expenses (excluding the impact of pension fund reversal) increased by a controlled growth of 12% over March 2010, whereas provisions were reported at Rs. 1.197 billion.

The asset base of the Bank grew to Rs. 605 billion from Rs. 568 billion as at year end 2010. Advances (gross) of the Bank have also shown positive signs in the last two quarters and were reported at Rs. 280 billion as of March 31, 2011 with a rise of 2% over December 31, 2010. The classified portfolio of the Bank registered a nominal increase of 1% over December 31, 2010 due to the effective risk management framework adopted by the Bank. The investment portfolio increased considerably by 17% over December 2010 with high concentration levels in the risk free government securities. The deposit base of the Bank went up by 7%, with 8% and 9% increase reported in current and saving deposits respectively, bringing the CASA percentage to 82% from 81% as of December 31, 2010.

Earnings per share (EPS) for the quarter was reported at Rs. 6.61 compared to Rs. 5.45 for the corresponding quarter last year. Return on assets improved to 3.43% (2010: 3.13%) whereas return on equity improved to 28.48% (2010: 25.91%).

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 2010 (2009: Long term: AA+ [double A plus] and Short term: A1+ [A one plus]).

Economy Review

The current fiscal year has been progressive compared to the previous however; the economy has not been able to show signs of expected improvement. Some of the positive indicators have been the growth in credit to the private sector, slight improvement in FBR revenue collection through broadening of tax base and introduction of new taxes/ surcharge and government borrowing curtailment compared to previous levels. Moreover, current account was reported to be a provisional surplus given slight improvement in exports and increasing remittances along with improvement of FDI in certain sectors. On the other hand, overall net inflow of foreign investment fell considerably and imports continued to rise keeping the balance of trade on the negative side. Inflation continued to be the major concern coupled with seeping currency volatility, tax evasion issues, political unrest, rising oil prices, growing power shortfalls and slow infrastructural development.

Future Outlook

Pakistan is currently faced with the challenge of controlling inflationary pressures which have soared to high levels as compared to the past. The continuing increase in Net Foreign Assets (NFA) is giving rise to expansion of broad money in the country, with GDP growth at a much slower pace, negatively impacting the rate of inflation. The increase in private sector credit has caught pace and if encouraged, will be healthy for the economic development. In the banking sector, the profits of major banks have been on the higher side while control on Non Performing Loans has also been commendable; however, the decline in core business expansion on the credit side is due to adverse macroeconomic factors coupled with risk averse lending strategies adopted by the banks. The government's reliance on internal and external debt although has slowed, the tax revenue collection burden is unlikely to meet the gap.

The Bank's focus shall remain on expansion of its customer franchise, specifically in Islamic and SME segments. MCB's ability of capturing the market as a strong low cost liability franchise will remain a key competitive factor alongwith careful investments in areas with potentially promising returns. The Bank will also continue to closely monitor and control the non-performing portfolio and operating expenditure under the current inflationary pressures. The Bank will continue to resort its focus into further expansion through introduction of new products / services and increasing its international presence.

Acknowledgement

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

on behalf of Directors



Mian Mohammad Mansha
Chairman

April, 26, 2011

Unconsolidated Condensed Interim Statement of Financial Position (Un-audited)
As at March 31, 2011

	Note	Unaudited March 31, 2011	Audited December 31, 2010
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		42,536,629	45,407,183
Balances with other banks		1,161,551	1,478,569
Lendings to financial institutions	7	1,025,000	4,401,781
Investments - net	8	250,241,878	213,060,882
Advances - net	9	259,056,351	254,551,589
Operating fixed assets		21,403,917	20,947,540
Deferred tax assets - net		-	-
Other assets - net		29,271,714	27,705,069
		604,697,040	567,552,613
Liabilities			
Bills payable		9,626,604	10,265,537
Borrowings	10	29,670,360	25,684,593
Deposits and other accounts	11	462,300,987	431,371,937
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	5,121,195	4,934,018
Other liabilities		16,071,889	16,092,319
		522,791,035	488,348,404
Net assets		81,906,005	79,204,209
Represented by:			
Share capital		7,602,150	7,602,150
Reserves		41,430,256	40,162,906
Un-appropriated profit		22,904,297	21,414,955
		71,936,703	69,180,011
Surplus on revaluation of assets - net of tax		9,969,302	10,024,198
		81,906,005	79,204,209

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
President and Chief Executive



S.M. MUNEEB
Director



AFTAB AHMAD KHAN
Director



DATO' SERI ISMAIL SHAHUDIN
Director

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

For the three months period ended March 31, 2011

	Quarter ended March 31, 2011	Quarter ended March 31, 2010
Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	15,960,038	13,100,812
Mark-up / return / interest expensed	5,036,886	4,369,119
Net mark-up / interest income	10,923,152	8,731,693
Provision against loans and advances - net	1,002,304	864,533
Provision for diminution in the value of investments - net	187,177	123,979
Bad debts written off directly	7,394	13,760
	1,196,875	1,002,272
Net mark-up / interest income after provisions	9,726,277	7,729,421
Non mark-up / interest income		
Fee, commission and brokerage income	1,182,288	1,009,909
Dividend income	188,515	112,999
Income from dealing in foreign currencies	213,995	117,299
Gain on sale of securities - net	278,448	28,175
Unrealized gain on revaluation of investments classified as held for trading	-	-
Other income	144,772	132,039
Total non mark-up / interest income	2,008,018	1,400,421
	11,734,295	9,129,842
Non-mark-up / interest expenses		
Administrative expenses	3,668,980	2,658,116
Other provisions / (reversals)	(13,763)	37
Other charges	242,705	220,539
Total non mark-up/interest expenses	3,897,922	2,878,692
	7,836,373	6,251,150
Extra ordinary / unusual item	-	-
	7,836,373	6,251,150
Profit before taxation		
Taxation - current period	2,705,674	1,983,291
- prior years	-	-
- deferred	107,082	126,708
	2,812,756	2,109,999
Profit after taxation		
	5,023,617	4,141,151
Earnings per share - basic and diluted - Rupees	14 6.61	5.45

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Director


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Director


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Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the three months period ended March 31, 2011

	Quarter ended March 31, 2011	Quarter ended March 31, 2010
Profit after tax for the period	5,023,617	4,141,151
Other comprehensive income		
Effect of translation of net investment in foreign branches	4,773	(1,700)
Comprehensive income transferred to equity	5,028,390	4,139,451
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	34,146	688,775
Deferred tax	(80,094)	(97,115)
	(45,948)	591,660
Total comprehensive income for the period	4,982,442	4,731,111

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Director



DATO' SERI ISMAIL SHAH UDIN
Director

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the three months period ended March 31, 2011

	March 31, 2011	March 31, 2010
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	7,836,373	6,251,150
Less: Dividend income	(188,515)	(112,999)
	7,647,858	6,138,151
Adjustments for non-cash charges		
Depreciation	265,918	243,338
Amortization	47,025	31,590
Provision against loans and advances - net	1,002,304	864,533
Provision for diminution in the value of investments - net	187,177	123,979
Other provisions / (reversals)	(13,763)	37
Bad debts written off directly	7,394	13,760
Gain on disposal of fixed assets	(3,798)	(115)
	1,492,257	1,277,122
	9,140,115	7,415,273
(Increase) / decrease in operating assets		
Lendings to financial institutions	3,376,781	(2,459,525)
Advances - net	(5,514,460)	10,156,521
Other assets - net	(233,589)	(2,480,127)
	(2,371,268)	5,216,869
Increase / (decrease) in operating liabilities		
Bills payable	(638,933)	(1,636,845)
Borrowings	3,985,767	(33,206,708)
Deposits and other accounts	30,929,050	23,960,541
Other liabilities	(2,042,505)	562,244
	32,233,379	(10,320,768)
	39,002,226	2,311,374
Income tax paid	(3,953,961)	(6,200,372)
Net cash flows from operating activities	35,048,265	(3,888,998)
Cash flows from investing activities		
Net investments in available-for-sale securities	(37,400,104)	10,430,732
Net investments in held-to-maturity securities	118,598	320,849
Investment in associated undertaking	(52,521)	-
Investment in subsidiary company	-	(84,139)
Dividend income received	117,509	79,602
Investment in operating fixed assets - net of disposals	(765,522)	(277,246)
Net cash flows from investing activities	(37,982,040)	10,469,798
Cash flows from financing activities		
Dividend paid	(258,570)	(2,116,187)
Net cash flows from financing activities	(258,570)	(2,116,187)
Exchange difference on translation of net investment in foreign branches	4,773	(1,700)
Increase in cash and cash equivalents	(3,187,572)	4,462,913
Cash and cash equivalents at January 1	46,885,752	44,784,864
Cash and cash equivalents at March 31	43,698,180	49,247,777

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



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President and Chief Executive



S.M. MUNEER
Director



AFTAB AHMAD KHAN
Director



DATO' SERI ISMAIL SHAHUDIN
Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the three months period ended March 31, 2011

	Share capital	Reserve for issue of bonus shares	Capital Reserves	Share premium	Exchange translation reserve	Statutory reserve	Revenue Reserves	General reserve	Unappropriated profit	Total
	(Rupees in '000)									
Balance as at January 01, 2010	6,911,045	-	9,702,528	256,151	9,827,081	18,600,000	15,779,127	61,075,932		
Change in equity for three months ended March 31, 2010										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	5,448	5,448		
Exchange differences on translation of net investment in foreign branches	-	-	-	(1,700)	-	-	-	(1,700)		
Profit after taxation for three months period ended March 31, 2010	-	-	-	-	-	-	4,141,151	4,141,151		
Total comprehensive income for the period ended March 31, 2010	-	-	-	(1,700)	-	-	4,141,151	4,139,451		
Transferred to statutory reserve	-	-	-	-	414,115	-	(414,115)	-		
Transfer to reserve for issue of bonus shares	-	691,105	-	-	-	-	(691,105)	-		
Final cash dividend - December 31, 2009	-	-	-	-	-	-	(2,418,866)	(2,418,866)		
Balance as at March 31, 2010	6,911,045	691,105	9,702,528	254,451	10,241,196	18,600,000	16,401,640	62,801,965		
Change in equity for nine months ended December 31, 2010										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	16,344	16,344		
Exchange differences on translation of net investment in foreign branches	-	-	-	91,528	-	-	-	91,528		
Profit after taxation for nine months period ended December 31, 2010	-	-	-	-	-	-	12,732,024	12,732,024		
Total comprehensive income for nine months ended December 31, 2010	-	-	-	91,528	-	-	12,732,024	12,823,552		
Transferred to statutory reserve	-	-	-	-	1,273,203	-	(1,273,203)	-		
Issue of bonus shares - December 31, 2009	691,105	(691,105)	-	-	-	-	-	-		
Interim cash dividend - March 31, 2010	-	-	-	-	-	-	(1,900,560)	(1,900,560)		
Interim cash dividend - June 30, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)		
Interim cash dividend - September 30, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)		
Balance as at December 31, 2010	7,602,150	-	9,702,528	345,979	11,514,399	18,600,000	21,414,955	69,180,011		
Change in equity for three months ended March 31, 2011										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	8,947	8,947		
Exchange differences on translation of net investment in foreign branches	-	-	-	4,773	-	-	-	4,773		
Profit after taxation for three months period ended March 31, 2011	-	-	-	-	-	-	5,023,617	5,023,617		
Total comprehensive income for the period ended March 31, 2011	-	-	-	4,773	-	-	5,023,617	5,028,390		
Transferred to statutory reserve	-	-	-	-	502,362	-	(502,362)	-		
Transfer to reserve for issue of bonus shares	-	760,215	-	-	-	-	(760,215)	-		
Final cash dividend - December 31, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)		
Balance as at March 31, 2011	7,602,150	760,215	9,702,528	350,752	12,016,761	18,600,000	22,904,297	71,936,703		

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



M.U.A. USMANI
President and Chief Executive



S.M. MUNEEB
Director



AFTAB AHMAD KHAN
Director



DATO' SERI ISMAIL SHAHUDIN
Director

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

1 STATUS AND NATURE OF BUSINESS

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depositary Receipts (GDRs) (representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg, Lahore, respectively. The Bank operates 1,127 branches including 14 Islamic banking branches (December 31, 2010: 1,125 branches including 14 Islamic banking branches) with in Pakistan and 7 (December 31, 2010: 7) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

- 3.1 These unconsolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by SBP shall prevail.
- 3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 3.3 The disclosures made in these unconsolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the disclosures required for 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, 2010.

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.

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, 2010.
- 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, 2010.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

6 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for significant accounting estimates and judgments adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2010.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	March 31, 2011	December 31, 2010
	----- (Rupees in '000) -----	
Call money lendings	1,025,000	1,500,000
Repurchase agreement lendings	-	2,901,781
	<u>1,025,000</u>	<u>4,401,781</u>

8 INVESTMENTS - NET

8.1 Investments by types

		Held by bank	Given as collateral	Total
		----- Rupees in 000 -----		
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	224,194,651	14,579,534	238,774,185
Held-to-maturity securities	8.2	12,183,482	-	12,183,482
		<u>236,378,133</u>	<u>14,579,534</u>	<u>250,957,667</u>
Associates	8.3	1,059,421	-	1,059,421
Subsidiaries		462,065	-	462,065
		<u>1,521,486</u>	<u>-</u>	<u>1,521,486</u>
Investments at cost		<u>237,899,619</u>	<u>14,579,534</u>	<u>252,479,153</u>
Less: Provision for diminution in the value of investments		(2,793,116)	-	(2,793,116)
Investments (net of provisions)		<u>235,106,503</u>	<u>14,579,534</u>	<u>249,686,037</u>
Surplus / (deficit) on revaluation of available for sale securities - net		562,003	(6,162)	555,841
Investments at revalued amounts - (net of provisions)		<u>235,668,506</u>	<u>14,573,372</u>	<u>250,241,878</u>

December 31, 2010

		Held by bank	Given as collateral	Total
		----- Rupees in 000 -----		
Held-for-trading securities		-	-	-
Available-for-sale securities	8.2	190,043,994	11,840,440	201,884,434
Held-to-maturity securities	8.2	12,302,080	-	12,302,080
		<u>202,346,074</u>	<u>11,840,440</u>	<u>214,186,514</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>203,815,039</u>	<u>11,840,440</u>	<u>215,655,479</u>
Less: Provision for diminution in the value of investments		(3,116,292)	-	(3,116,292)
Investments (net of provisions)		<u>200,698,747</u>	<u>11,840,440</u>	<u>212,539,187</u>
Surplus / (deficit) on revaluation of available for sale securities - net		534,095	(12,400)	521,695
Investments at revalued amounts - (net of provisions)		<u>201,232,842</u>	<u>11,828,040</u>	<u>213,060,882</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

- 8.2** Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2010: 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, 2010: 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, 2010: Rs. 943.600 million) as at March 31, 2011 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at March 31, 2011 amounted to Rs. 2,684.870 million (December 31, 2010: Rs. 3,152.948 million).

9 ADVANCES - NET

	March 31, 2011	December 31, 2010
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	253,000,369	250,395,183
- Outside Pakistan	9,885,056	9,104,266
	262,885,425	259,499,449
Net Investment in finance lease		
- In Pakistan	1,920,746	2,333,616
- Outside Pakistan	90,725	86,429
	2,011,471	2,420,045
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	3,651,374	1,274,149
- Payable outside Pakistan	11,098,577	10,950,281
	14,749,951	12,224,430
Advances - gross	279,646,847	274,143,924
Less: Provision against loans and advances		
- Specific provision	(19,975,605)	(18,930,571)
- General provision	(279,647)	(274,144)
- General provision against consumer loans	(304,976)	(357,352)
- General Provision for potential lease losses (in Srilanka Operations)	(30,268)	(30,268)
	(20,590,496)	(19,592,335)
Advances - net of provision	259,056,351	254,551,589

- 9.1** Advances include Rs. 24,893.916 million (December 31, 2010: Rs. 24,543.807 million) which have been placed under non-performing status as detailed below:

		March 31, 2011				
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	38,028	-	38,028	-	-
Substandard		1,356,441	-	1,356,441	335,658	335,658
Doubtful		1,239,563	24,048	1,263,611	648,643	648,643
Loss		18,203,451	4,032,385	22,235,836	18,991,304	18,991,304
		20,837,483	4,056,433	24,893,916	19,975,605	19,975,605

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

		December 31, 2010				
		Classified Advances			Specific Provision Required	Specific Provision Held
Category of Classification		Domestic	Overseas	Total		
----- Rupees in '000 -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	57,057	-	57,057	-	-
Substandard		1,539,019	864	1,539,883	349,919	349,919
Doubtful		2,139,457	2,755	2,142,212	1,016,135	1,016,135
Loss		16,688,531	4,116,124	20,804,655	17,564,517	17,564,517
		20,424,064	4,119,743	24,543,807	18,930,571	18,930,571

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

10 BORROWINGS

	March 31, 2011	December 31, 2010
----- (Rupees in '000) -----		
In Pakistan	27,281,549	24,324,510
Outside Pakistan	2,388,811	1,360,083
	<u>29,670,360</u>	<u>25,684,593</u>

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan		
Export refinance scheme	10,166,845	9,880,240
Long term financing facility	689,940	721,000
Long term financing - export oriented projects scheme	1,479,806	1,444,542
	<u>12,336,591</u>	<u>12,045,782</u>
Borrowings from other financial institutions	469,925	618,163
Repurchase agreement borrowings	14,625,997	12,027,499
	<u>15,095,922</u>	<u>12,645,662</u>
	<u>27,432,513</u>	<u>24,691,444</u>

Unsecured

Overdrawn nostro accounts	698,990	543,289
Call borrowings	1,538,857	449,860
	<u>2,237,847</u>	<u>993,149</u>
	<u>29,670,360</u>	<u>25,684,593</u>

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	81,022,693	80,073,848
Savings deposits	214,471,250	196,015,213
Current accounts	157,647,932	144,545,488
Margin accounts	3,398,888	3,482,526
	<u>456,540,763</u>	<u>424,117,075</u>

Financial institutions

Remunerative deposits	2,896,129	4,128,090
Non-remunerative deposits	2,864,095	3,126,772
	<u>5,760,224</u>	<u>7,254,862</u>
	<u>462,300,987</u>	<u>431,371,937</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the three months period ended March 31, 2011

	March 31, 2011	December 31, 2010
	----- (Rupees in '000) -----	
12 DEFERRED TAX LIABILITY / (ASSET) - NET		
The details of the tax effect of taxable and deductible temporary differences are as follows:		
Taxable temporary differences on:		
Surplus on revaluation of operating fixed assets	797,432	802,248
Accelerated tax depreciation	806,429	839,989
Receivable from pension fund	4,494,897	4,389,896
Net investment in finance lease receivable	89,545	119,394
Surplus on revaluation of securities	64,514	-
	6,252,817	6,151,527
Deductible temporary differences on:		
Deficit on revaluation of securities	-	(15,580)
Provision for bad debts	(769,103)	(821,631)
Provision for contributory benevolent scheme	(21,585)	(27,128)
Provision for post retirement medical benefits	(340,934)	(353,170)
	(1,131,622)	(1,217,509)
	5,121,195	4,934,018

- 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 consumer 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.

	March 31, 2011	December 31, 2010
	----- (Rupees in '000) -----	
13 CONTINGENCIES AND COMMITMENTS		
13.1 Transaction-related contingent liabilities / commitments		
Guarantees in favour of:		
- Government	4,601,074	4,533,255
- Banks and financial institutions	1,580,019	1,455,621
- Others	8,361,803	7,794,659
Suppliers credit / payee guarantee	2,446,095	2,326,818
	16,988,990	16,110,353
13.2 Trade-related contingent liabilities	67,105,548	76,856,249
13.3 Other contingencies		
Claims against the Bank not acknowledged as debts	829,484	674,032

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

March 31, December 31,
2011 2010
----- (Rupees in '000) -----

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	22,635,578	20,154,200
Sale	24,242,638	22,245,693

13.6 Commitments for the acquisition of fixed assets

	199,798	51,944
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13.7 Other commitments

Cross currency swaps (notional amount)	143,127	153,126
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13.8 Taxation

The income tax assessments of the Bank have been finalised upto and including the Tax Year 2010. For the Tax Years 2003 to 2009, the department has amended the assessments on certain issues against which the Bank has filed appeals. In respect of the Tax Year 2003 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided the matter in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). The management and the Bank's legal counsel are of the view that the issues will be decided in the Bank's favour as and when these are taken up by the appellate authorities. For Tax Year 2009, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 982.054 million against which the legal / appellate course from the Bank has reached ITAT level.

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

Three months ended
March 31, March 31,
2011 2010
---- (Rupees in '000) ----

14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

Profit after taxation	5,023,617	4,141,151
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	<i>Number of shares</i>	
Weighted average number of shares outstanding during the period	760,214,979	760,214,979

	<i>Rupees</i>	
Basic and diluted Earnings per share - after tax	6.61	5.45

15 CREDIT RATING

PACRA through its notification in June 2010, has assigned long term credit rating of AA+ [double A plus] and short-term credit rating of A1+ [A one plus] to the Bank.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Three months ended March 31, 2011				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	(Rupees in '000)				
Total income	3,858	7,478,375	3,470,816	7,015,007	17,968,056
Total expenses	(3,393)	(1,456,446)	(7,121,176)	(1,550,668)	(10,131,683)
Income tax expense	-	-	-	-	(2,812,756)
Net income	465	6,021,929	(3,650,360)	5,464,339	5,023,617
Segment assets - (Gross of NPLs Provisions)	-	274,667,774	112,698,621	233,524,193	620,890,588
Advance taxation (payment less provision)	-	-	-	-	3,782,057
Total assets	-	274,667,774	112,698,621	233,524,193	624,672,645
Segment non performing loans	-	-	6,700,062	18,193,854	24,893,916
Segment specific provision required	-	-	5,376,326	14,599,279	19,975,605
Segment liabilities	-	24,466,656	463,742,920	29,460,264	517,669,840
Deferred tax liabilities - net	-	-	-	-	5,121,195
Total liabilities - net	-	24,466,656	463,742,920	29,460,264	522,791,035
Segment return on assets (ROA) (%)	-	10.89%	12.94%	12.82%	-
Segment cost of fund (%)	-	11.39%	3.96%	3.01%	-

	Three months ended March 31, 2010				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
Total income	8,676	4,705,400	3,514,137	6,273,020	14,501,233
Total expenses	(2,885)	(472,710)	(7,246,511)	(527,977)	(8,250,083)
Income tax expense	-	-	-	-	(2,109,999)
Net income	5,791	4,232,690	(3,732,374)	5,745,043	4,141,151
Segment assets - (Gross of NPLs provision)	-	183,583,101	116,054,511	211,358,060	510,995,672
Advance taxation (payment less provision)	-	-	-	-	3,120,808
Total assets	-	183,583,101	116,054,511	211,358,060	514,116,480
Segment non performing loans	-	-	7,422,330	15,889,657	23,311,987
Segment specific provision required	-	-	5,282,699	11,309,155	16,591,854
Segment liabilities	-	5,454,965	393,185,327	23,411,509	422,051,801
Deferred tax assets	-	-	-	-	3,420,567
Total liabilities - net	-	5,454,965	393,185,327	23,411,509	425,472,368
Segment return on assets (ROA) (%)	-	10.25%	12.69%	12.54%	-
Segment cost of fund (%)	-	11.56%	3.84%	3.58%	-

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

17 RELATED PARTY TRANSACTIONS

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

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

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

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	Three months ended March 31, 2011	Year ended Dec 31, 2010	Three months ended March 31, 2011	Year ended Dec 31, 2010	Three months ended March 31, 2011	Year ended Dec 31, 2010	Three months ended March 31, 2011	Year ended Dec 31, 2010
(Rupees in '000)								
Deposits	2,095,056	1,394,294	955,014	789,205	77,043	40,644	24,762,137	18,231,801
Deposits at beginning of the period / year								
Deposits received during the period / year	11,416,864	51,883,458	28,507,845	108,743,238	165,987	827,231	62,890,203	224,429,580
Deposits repaid during the period / year	(11,847,166)	(51,182,696)	(28,571,959)	(108,577,429)	(194,963)	(790,832)	(64,162,563)	(217,899,244)
Deposits at the end of the period / year	1,664,754	2,095,056	890,900	955,014	48,068	77,043	23,489,777	24,762,137

Advances (secured)

Balance at beginning of the period / year	-	-	-	-	112,548	1,141	-	-
Loan granted during the period / year	-	-	-	-	58,750	111,970	-	-
Repayment during the period / year	-	-	-	-	(152)	(563)	-	-
Balance at end of the period / year	-	-	-	-	171,146	112,548	-	-

Receivable from Pension Fund

12,842,560 12,542,560

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	March 31, 2011	March / December 31, 2010	March 31, 2011	March / December 31, 2010	March 31, 2011	March / December 31, 2010	March 31, 2011	March / December 31, 2010
(Rupees in '000)								

Associates

Adamjee Insurance Company Limited	-	-	8,443	16,930	-	-	-	-
- Insurance claim settled	-	-	1,638	-	-	-	-	-
- Rent income	-	-	8,365	4,842	-	-	-	-
- Outstanding commitments and contingent liabilities	-	-	-	-	-	-	-	-

Adamjee Life Assurance Company Limited

- Insurance premium paid	-	-	26,342	-	-	-	-	-
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Euronet Pakistan Private Limited

- ATM Outsourcing Revenue	-	-	5,607	-	-	-	-	-
- Training expenses reimbursed	-	-	27	-	-	-	-	-
- Capital injection	-	-	52,521	-	-	-	-	-
- Trade payable	-	-	5,634	-	-	-	-	-

Mayban International Trust (Labuan) Berhad

- Dividend paid	-	-	-	-	-	-	-	483,773
- Bonus shares issued	-	-	-	-	-	-	-	138,221
- Forward foreign exchange contracts (Notional)	-	-	-	-	-	-	-	1,384,467
- Unrealized loss on forward foreign exchange contracts	-	-	-	-	-	-	-	7,482

Subsidiary Companies

MNET Services (Private) Limited	-	-	-	-	4,998	-	-	-
- Dividend received	-	-	-	-	16,115	18,587	-	-
- Outsourcing service expenses	-	-	-	-	-	3,583	-	-
- Networking service expenses	-	-	-	-	-	32	-	-
- Switch revenue	-	-	-	-	6,449	6,680	-	-
- Payment system managed service revenue (PSM)	-	-	-	-	21,429	24,544	-	-
- Payable for trade debts	-	-	-	-	7,763	13,578	-	-
- Receivable for other expenses	-	-	-	-	-	-	-	-

"MCB Leasing" Closed Joint Stock Company

- Capital injection	-	-	-	-	-	84,138	-	-
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MCB Trade Services Limited

- Dividend received	-	-	-	-	4,664	-	-	-
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MCB Asset Management Company Limited

- Dividend received	-	-	-	-	29,998	-	-	-
- Markup paid	-	-	-	-	576	994	-	-
- Markup payable	-	-	-	-	651	185	-	-
- Sale commission payable	-	-	-	-	-	824	-	-
- Commission on distribution of units	-	-	-	-	8,624	-	-	-

Other related parties

MCB Employees Foundation	-	-	-	-	-	-	4,378	4,430
- Service expenses	-	-	-	-	-	-	10,889	6,499
- Cash sorting expenses	-	-	-	-	-	-	31,484	30,197
- Stationary expenses	-	-	-	-	-	-	-	218
- Cash in transit expenses	-	-	-	-	-	-	20,000	20,000
- Advance receivable	-	-	-	-	-	-	570	394
- Payable for stationery expenses	-	-	-	-	-	-	47,384	37,561
- Security guard expenses	-	-	-	-	-	-	-	-

Others

- Remuneration of key management personnel	-	-	-	-	-	-	40,212	35,797
- Remuneration and Non-executive directors' fees	15,302	17,026	-	-	-	-	-	-
- Miscellaneous expenses	-	-	-	-	-	-	47,675	39,586
- Contribution to provident fund	-	-	-	-	-	-	39,703	37,450

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

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

18 ISLAMIC BANKING BUSINESS

The statement of financial position of the Bank's Islamic Banking business as at March 31, 2011 is as follows:

	March 31, 2011	December 31, 2010
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	433,089	526,377
Investments - net	3,069,613	2,147,807
Financing and receivables		
- Murabaha	4,660,332	1,976,942
- Ijara	263,719	381,315
- Islamic export refinance	1,006,377	1,048,050
Deferred tax assets	365	1,846
Other assets	2,037,471	3,260,611
	11,470,966	9,342,948
Liabilities		
Bills payable	47,998	74,335
Deposits and other accounts		
- Current accounts	487,278	322,253
- Saving accounts	2,324,452	2,902,032
- Term deposits	2,908,982	2,960,509
- Others	62,758	166
Borrowing from SBP	1,164,750	1,079,000
Due to head office	3,000,000	657,640
Other liabilities	419,570	379,331
	10,415,788	8,375,266
Net assets	1,055,178	967,682
Represented by:		
Islamic Banking Fund	1,000,000	850,000
Unappropriated profit	55,857	121,110
	1,055,857	971,110
Deficit on revaluation of assets - net of tax	(679)	(3,428)
	1,055,178	967,682
CHARITY FUND		
Opening balance	1,763	1,998
Additions during the period / year		
Received from customers on delayed payments	935	1,621
Profit on charity saving account	28	144
	963	1,765
Payments / utilization during the period / year		
Social Welfare	-	-
Health	-	-
Education	-	-
Relief and disaster recovery	-	(2,000)
	-	(2,000)
Closing balance	2,726	1,763

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

The profit and loss account of the Bank's Islamic banking business for the three months period ended March 31, 2011 is as follows:

	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	(Rupees in '000)	
Income / return / profit earned	372,342	273,068
Income / return / profit expensed	263,049	184,744
Net Income / Profit	109,293	88,324
Provision against loans and advances - net	10,000	(20)
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	10,000	(20)
Net profit / income after provisions	99,293	88,344
Other income		
Fees, commission and brokerage income	12,434	7,852
Dividend income	-	-
Income from dealing in foreign currencies	7	1,620
Other Income	5,225	14,412
Total other income	17,666	23,884
	116,959	112,228
Other expenses		
Administrative expenses	61,102	44,796
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	-	-
Total other expenses	61,102	44,796
Extra ordinary / unusual items	-	-
Profit before taxation	55,857	67,432
Remuneration to Shariah Advisor / Board	420	316

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 unconsolidated condensed interim financial statements for the purpose of comparison. No significant reclassification has been made except for as follows:

Description	March 31, 2011 (Rupees in '000)	Reclassified	
		From	To
Commission on home remittance	38,319	Other income	Fee, commission and brokerage income
Fee paid to MCI issuer transactions	7,924	Markup / return / interest expense	Administrative expenses

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on April 26, 2011 has announced cash dividend in respect of the three months period ended March 31, 2011 of Rs. 3.0 per share (March 31, 2010: Rs. 2.50 per share). These unconsolidated condensed interim financial statements for the three months period ended March 31, 2011 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

21 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on April 26, 2011 .


M.U.A. USMANI
President and Chief Executive


S.M. MUNEER
Director


AFTAB AHMAD KHAN
Director


DATO' SERI ISMAIL SHAHUDIN
Director



MCB BANK LIMITED

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

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

As at March 31, 2011

	Note	Unaudited March 31, 2011	Audited December 31, 2010
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		42,536,723	45,407,264
Balances with other banks		1,246,742	1,551,518
Lendings to financial institutions	7	1,025,000	4,401,781
Investments - net	8	253,045,238	215,747,844
Advances - net	9	259,067,052	254,565,471
Operating fixed assets		21,514,557	21,061,787
Deferred tax assets - net		-	-
Other assets - net		29,313,493	27,746,198
		607,748,805	570,481,863
Liabilities			
Bills payable		9,626,604	10,265,537
Borrowings	10	29,670,360	25,684,593
Deposits and other accounts	11	462,254,948	431,295,499
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	5,343,810	5,146,733
Other liabilities		16,074,641	16,090,374
		522,970,363	488,482,736
Net assets		84,778,442	81,999,127
Represented by:			
Share capital		7,602,150	7,602,150
Reserves		41,431,822	40,164,526
Un-appropriated profit		25,037,168	23,458,429
		74,071,140	71,225,105
Minority interest		2,345	2,698
		74,073,485	71,227,803
Surplus on revaluation of assets - net of tax		10,704,957	10,771,324
		84,778,442	81,999,127

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 and Chief Executive



S.M. MUNEER
Director



AFTAB AHMAD KHAN
Director



DATO' SERI ISMAIL SHAHUDIN
Director

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

For the three months period ended March 31, 2011

Note	Quarter ended March 31, 2011	Quarter ended March 31, 2010
	----- (Rupees in '000) -----	
Mark-up / return / interest earned	15,969,922	13,102,598
Mark-up / return / interest expensed	5,036,958	4,368,565
Net mark-up / interest income	10,932,964	8,734,033
Provision against loans and advances - net	1,002,304	864,533
Provision for diminution in the value of investments - net	187,177	123,979
Bad debts written off directly	7,394	13,760
	1,196,875	1,002,272
Net mark-up / interest income after provisions	9,736,089	7,731,761
Non mark-up / interest income		
Fee, commission and brokerage income	1,182,967	1,010,343
Income from trustee ship	5,525	5,356
Dividend income	149,042	112,999
Income from dealing in foreign currencies	214,890	117,299
Gain on sale of securities - net	256,755	17,974
Unrealized gain on revaluation of investments classified as held for trading	32,945	19,676
Other income	203,806	184,035
Total non mark-up / interest income	2,045,930	1,467,682
	11,782,019	9,199,443
Non-mark-up / interest expenses		
Administrative expenses	3,722,592	2,690,696
Other provisions / (reversals)	(13,763)	37
Other charges	243,405	220,539
Total non mark-up/interest expenses	3,952,234	2,911,272
Share of profit of associated undertakings	139,462	98,878
	7,969,247	6,387,049
Extra ordinary / unusual item	-	-
Profit before taxation	7,969,247	6,387,049
Taxation - current period	2,716,762	1,985,657
- prior years	-	-
- deferred	116,983	134,217
Share of tax of associated undertakings	22,969	25,541
	2,856,714	2,145,415
Profit after taxation	5,112,533	4,241,634
Loss / (profit) attributable to minority interest	357	(2)
Profit attributable to ordinary shareholders	5,112,890	4,241,632
Earnings per share - basic and diluted - Rupees	14 6.73	5.58

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



M.U.A. USMANI
President and Chief Executive



S.M. MUNEER
Director



AFTAB AHMAD KHAN
Director



DATO' SERI ISMAIL SHAHUDIN
Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited) For the three months period ended March 31, 2011

	Quarter ended March 31, 2011	Quarter ended March 31, 2010
Profit after tax for the period	5,112,533	4,241,634
Other comprehensive income		
Effect of translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	4,719	(1,737)
- Minority interest	8	-
	4,727	(1,737)
Comprehensive income transferred to equity	5,117,260	4,239,897
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	34,146	688,775
Deferred tax	(80,094)	(97,115)
	(45,948)	591,660
Total comprehensive income for the period	5,071,312	4,831,557

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



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Director



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Director



DATO' SERI ISMAIL SHAUDIN
Director

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the three months period ended March 31, 2011

	March 31, 2011	March 31, 2010
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Profit before taxation	7,969,247	6,387,049
Less: Dividend income & share of profit of associated undertakings	(288,504)	(211,877)
	7,680,743	6,175,172
Adjustments for non-cash charges		
Depreciation	265,918	243,338
Amortization	47,025	31,590
Provision against loans and advances - net	1,002,304	864,533
Provision for diminution in the value of investments - net	187,177	123,979
Other provisions / (reversals)	(13,763)	37
Bad debts written off directly	7,394	13,760
Gain on disposal of fixed assets	(3,798)	(115)
Unrealized gain on revaluation of investments classified as held for trading	(32,945)	(19,676)
	1,459,312	1,257,446
	9,140,055	7,432,618
(Increase) / decrease in operating assets		
Lendings to financial institutions	3,376,781	(2,459,525)
Net investment in held for trading securities	21,693	(3,460)
Advances - net	(5,511,279)	10,156,386
Other assets - net	(230,052)	(2,496,742)
	(2,342,857)	5,196,659
Increase / (decrease) in operating liabilities		
Bills payable	(638,933)	(1,636,845)
Borrowings	3,985,767	(33,206,708)
Deposits and other accounts	30,959,449	23,939,810
Other liabilities	(2,037,808)	585,388
	32,268,475	(10,318,355)
	39,065,673	2,310,922
Income tax paid	(3,969,237)	(6,200,372)
Net cash flows from operating activities	35,096,436	(3,889,450)
Cash flows from investing activities		
Net investments in available-for-sale securities	(37,400,104)	10,430,732
Net investments in held-to-maturity securities	118,598	320,849
Investment in associated undertaking	(52,521)	-
Dividend income received	78,036	79,602
Investment in operating fixed assets - net of disposals	(761,915)	(278,155)
Net cash flows from investing activities	(38,017,906)	10,553,028
Cash flows from financing activities		
Dividend paid	(258,574)	(2,116,187)
Net cash flows from financing activities	(258,574)	(2,116,187)
Exchange difference on translation of net investment in foreign branches and subsidiaries	4,727	(1,737)
Increase in cash and cash equivalents	(3,175,317)	4,545,654
Cash and cash equivalents at January 1	46,958,782	44,852,225
Cash and cash equivalents at March 31	43,783,465	49,397,879

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



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Director



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Director



DATO' SERI ISMAIL SHAHUDIN
Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) For the three months period ended March 31, 2011

	Share capital	Reserve for issue of bonus shares	Capital Reserves		Statutory reserve	Revenue Reserves		Total	Minority Interest	Total
			Share premium	Exchange translation reserve		General reserve	Unappropriated profit			
	(Rupees in'000)									
Balance as at January 01, 2010	6,911,045	-	9,702,528	258,047	9,827,081	18,600,000	17,821,670	63,120,371	71	63,120,442
Change in equity for three months ended March 31, 2010										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	5,461	5,461	-	5,461
Profit after taxation for three months period ended March 31, 2010	-	-	-	-	-	-	4,241,634	4,241,634	-	4,241,634
Profit attributable to minority interest	-	-	-	-	-	-	(2)	(2)	2	-
Profit after taxation for the three months March 31, 2010 attributable to ordinary shareholders of the group	-	-	-	-	-	-	4,241,632	4,241,632	2	4,241,634
Exchange differences on translation of net investment in foreign branches & subsidiaries	-	-	-	(1,737)	-	-	-	(1,737)	-	(1,737)
Total comprehensive income for the period ended March 31, 2010	-	-	-	(1,737)	-	-	4,241,632	4,239,895	2	4,239,897
Transferred to statutory reserve	-	-	-	-	414,115	-	(414,115)	-	-	-
Transfer to reserve for issue of bonus shares	-	691,105	-	-	-	-	(691,105)	-	-	-
Final cash dividend - December 31, 2009	-	-	-	-	-	-	(2,418,866)	(2,418,866)	-	(2,418,866)
Balance as at March 31, 2010	6,911,045	691,105	9,702,528	256,310	10,241,196	18,600,000	18,544,677	64,946,861	73	64,946,934
Change in equity for nine months ended December 31, 2010										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	16,418	16,418	-	16,418
Profit after taxation for nine months period ended December 31, 2010	-	-	-	-	-	-	12,630,492	12,630,492	-	12,630,492
Loss attributable to minority interest	-	-	-	-	-	-	1,895	1,895	(1,895)	-
Profit after taxation for the nine months December 31, 2010 attributable to ordinary shareholders of the group	-	-	-	-	-	-	12,632,387	12,632,387	(1,895)	12,630,492
Exchange differences on translation of net investment in foreign branches & subsidiaries	-	-	-	91,289	-	-	-	91,289	70	91,359
Total comprehensive income for nine months ended December 31, 2010	-	-	-	91,289	-	-	12,632,387	12,723,676	(1,825)	12,721,851
Transferred to statutory reserve	-	-	-	-	1,273,203	-	(1,273,203)	-	-	-
Issue of bonus shares - December 31, 2009	691,105	(691,105)	-	-	-	-	-	-	-	-
Share of capital attributable to minority shareholders	-	-	-	-	-	-	-	-	4,450	4,450
Interim cash dividend - March 31, 2010	-	-	-	-	-	-	(1,900,560)	(1,900,560)	-	(1,900,560)
Interim cash dividend - June 30, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
Interim cash dividend - September 30, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
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 three months ended March 31, 2011										
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	9,071	9,071	-	9,071
Profit after taxation for three months period ended March 31, 2011	-	-	-	-	-	-	5,112,533	5,112,533	-	5,112,533
Profit attributable to minority interest	-	-	-	-	-	-	357	357	(357)	-
Profit after taxation for the three months March 31, 2011 attributable to ordinary shareholders of the group	-	-	-	-	-	-	5,112,890	5,112,890	(357)	5,112,533
Exchange differences on translation of net investment in foreign branches & subsidiaries	-	-	-	4,719	-	-	-	4,719	8	4,727
Total comprehensive income for the period ended March 31, 2011	-	-	-	4,719	-	-	5,112,890	5,117,609	(349)	5,117,260
Transferred to statutory reserve	-	-	-	-	502,362	-	(502,362)	-	-	-
Share of dividend attributable to minority shareholders	-	-	-	-	-	-	-	-	(4)	(4)
Transfer to reserve for issue of bonus shares	-	760,215	-	-	-	-	(760,215)	-	-	-
Final cash dividend - December 31, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
Balance as at March 31, 2011	7,602,150	760,215	9,702,528	352,318	12,016,761	18,600,000	25,037,168	74,071,140	2,345	74,073,485

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


M.U.A. USMANI
President and Chief Executive


S.M. MUNEEB
Director


AFTAB AHMAD KHAN
Director


DATO' SERI ISMAIL SHAHUDIN
Director

MCB Bank Limited & Subsidiary Companies

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

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 '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 1,127 branches including 14 Islamic banking branches (December 31, 2010: 1,125 branches including 14 Islamic banking branches) with in Pakistan and 7 (December 31, 2010: 7) branches outside the country (including the Karachi Export Processing Zone Branch).

2 BASIS OF PRESENTATION

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

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

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

a) Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the unaudited financial statements for the period ended March 31, 2011 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 March 31, 2011.

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

3 STATEMENT OF COMPLIANCE

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

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

- 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. 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 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, 2010.

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, 2010.
- 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, 2010.

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, 2010.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	March 31, 2011	December 31, 2010
	----- (Rupees in '000) -----	
Call money lendings	1,025,000	1,500,000
Repurchase agreement lendings	-	2,901,781
	<u>1,025,000</u>	<u>4,401,781</u>

8 INVESTMENTS - NET

8.1 Investments by types

		March 31, 2011		
		Held by bank	Given as collateral	Total
		----- Rupees in 000 -----		
Held-for-trading securities		367,669	-	367,669
Available-for-sale securities	8.2	224,194,651	14,579,534	238,774,185
Held-to-maturity securities	8.2	12,183,482	-	12,183,482
		<u>236,745,802</u>	<u>14,579,534</u>	<u>251,325,336</u>
Adamjee Insurance Company Limited	8.3	3,810,396	-	3,810,396
First Women Bank Limited	8.4	63,300	-	63,300
Euronet Pakistan Private Limited	8.5	50,536	-	50,536
		<u>3,924,232</u>	<u>-</u>	<u>3,924,232</u>
Investments at cost		240,670,034	14,579,534	255,249,568
Less: Provision for diminution in the value of investments		(2,793,116)	-	(2,793,116)
Investments (net of provisions)		237,876,918	14,579,534	252,456,452
Surplus / (deficit) on revaluation of available for sale securities - net		562,003	(6,162)	555,841
Surplus on revaluation of held-for-trading securities - net		32,945	-	32,945
Investments at revalued amounts - net of provisions		238,471,866	14,573,372	253,045,238

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the three months period ended March 31, 2011

		December 31, 2010		
		Held by bank	Given as collateral	Total
		----- Rupees in '000 -----		
Held-for-trading securities		348,530	-	348,530
Available-for-sale securities	8.2	190,043,994	11,840,440	201,884,434
Held-to-maturity securities	8.2	12,302,080	-	12,302,080
		202,694,604	11,840,440	214,535,044
Adamjee Insurance Company Limited	8.3	3,703,265	-	3,703,265
First Women Bank Limited	8.4	63,300	-	63,300
		3,766,565	-	3,766,565
Investments at cost		206,461,169	11,840,440	218,301,609
Less: Provision for diminution in the value of investments		(3,116,292)	-	(3,116,292)
Investments (net of provisions)		203,344,877	11,840,440	215,185,317
Surplus / (deficit) on revaluation of available for sale securities - net		534,095	(12,400)	521,695
Surplus on revaluation of held-for-trading securities - net		40,832	-	40,832
Investments at revalued amounts - net of provisions		203,919,804	11,828,040	215,747,844

8.2 Investments include Pakistan Investment Bonds amounting to Rs. 232.600 million (December 31, 2010: 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, 2010: Rs. 5 million) have been pledged with the Controller of Military Accounts on the account of Regimental Fund Account.

8.3 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at March 31, 2011 amounted to Rs. 2,684.870 million (December 31, 2010: Rs. 3,152.948 million).

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

	March 31, 2011	December 31, 2010
	----- (Rupees in '000) -----	
Opening Balance	3,703,265	3,339,710
Share of profit for the period / year before tax	141,439	269,513
Dividend from associate	-	(85,171)
Share of tax	(22,961)	(29,333)
	118,478	155,009
Share of unrealized surplus / (deficit) on assets -net of tax	(11,347)	208,546
Closing Balance	3,810,396	3,703,265

8.4 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.

8.5 During the year Group has made investment in Euronet Pakistan Private Limited. Investment in Euronet Pakistan Private Limited has been accounted for under the equity method of accounting in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'.

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

	March 31, 2011
	(Rupees in '000)
Investment made during the year	52,521
Share of loss for the period before tax	(1,977)
Share of tax	(8)
	(1,985)
Closing Balance	50,536

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

9 ADVANCES - NET

	March 31, 2011	December 31, 2010
	----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc		
- In Pakistan	252,829,649	250,283,213
- Outside Pakistan	9,885,056	9,104,266
	262,714,705	259,387,479
Net Investment in finance lease		
- In Pakistan	1,920,319	2,333,037
- Outside Pakistan	272,573	212,860
	2,192,892	2,545,897
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	3,651,374	1,274,149
- Payable outside Pakistan	11,098,577	10,950,281
	14,749,951	12,224,430
Advances - gross	279,657,548	274,157,806
Less: Provision against loans and advances		
- Specific provision	9.1 (19,975,605)	(18,930,571)
- General provision	(279,647)	(274,144)
- General provision against consumer loans	(304,976)	(357,352)
- General Provision for potential lease losses (in Sri Lanka Operations)	(30,268)	(30,268)
	(20,590,496)	(19,592,335)
Advances - net of provision	259,067,052	254,565,471

9.1 Advances include Rs. 24,893.916 million (December 31, 2010: Rs. 24,543.807 million) which have been placed under non-performing status as detailed below:

March 31, 2011						
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	38,028	-	38,028	-	-
Substandard		1,356,441	-	1,356,441	335,658	335,658
Doubtful		1,239,563	24,048	1,263,611	648,643	648,643
Loss		18,203,451	4,032,385	22,235,836	18,991,304	18,991,304
		20,837,483	4,056,433	24,893,916	19,975,605	19,975,605
December 31, 2010						
Category of Classification		Classified Advances			Specific Provision Required	Specific Provision Held
		Domestic	Overseas	Total		
----- Rupees in '000 -----						
Other Assets Especially Mentioned (OAEM)	9.1.1	57,057	-	57,057	-	-
Substandard		1,539,019	864	1,539,883	349,919	349,919
Doubtful		2,139,457	2,755	2,142,212	1,016,135	1,016,135
Loss		16,688,531	4,116,124	20,804,655	17,564,517	17,564,517
		20,424,064	4,119,743	24,543,807	18,930,571	18,930,571

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

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

10 BORROWINGS

	March 31, 2011	December 31, 2010
	----- (Rupees in '000) -----	
In Pakistan	27,281,549	24,324,510
Outside Pakistan	2,388,811	1,360,083
	<u>29,670,360</u>	<u>25,684,593</u>

10.1 Details of borrowings (secured / unsecured)

Secured

Borrowings from State Bank of Pakistan	10,166,845	9,880,240
Export refinance scheme	689,940	721,000
Long term financing facility	1,479,806	1,444,542
Long term financing - export oriented projects scheme	12,336,591	12,045,782

Borrowings from other financial institutions	469,925	618,163
Repurchase agreement borrowings	14,625,997	12,027,499
	<u>15,095,922</u>	<u>12,645,662</u>
	27,432,513	24,691,444

Unsecured

Overdrawn nostro accounts	698,990	543,289
Call borrowings	1,538,857	449,860
	<u>2,237,847</u>	<u>993,149</u>
	<u>29,670,360</u>	<u>25,684,593</u>

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	80,995,693	80,049,848
Savings deposits	214,457,148	195,987,483
Current accounts	157,642,995	144,520,780
Margin accounts	3,398,888	3,482,526
	<u>456,494,724</u>	<u>424,040,637</u>

Financial institutions

Remunerative deposits	2,896,129	4,128,090
Non-remunerative deposits	2,864,095	3,126,772
	<u>5,760,224</u>	<u>7,254,862</u>
	<u>462,254,948</u>	<u>431,295,499</u>

12 DEFERRED TAX LIABILITY / (ASSET) - NET

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

Taxable temporary differences on:

Surplus on revaluation of operating fixed assets	803,171	808,054
Accelerated tax depreciation	806,486	853,349
Receivable from pension fund	4,494,897	4,389,896
Net investment in finance lease receivable	102,810	119,372
Investments in associated undertaking	214,180	202,332
Surplus on revaluation of securities	64,514	-
Others	-	1,828
	<u>6,486,058</u>	<u>6,374,831</u>

Deductible temporary differences on:

Deficit on revaluation of securities	-	(15,580)
Provision for bad debts	(769,103)	(821,631)
Provision for gratuity	(1,083)	(1,083)
Provision for contributory benevolent scheme	(21,585)	(27,128)
Provision for post retirement medical benefits	(340,934)	(353,170)
Taxable losses	(9,506)	(9,506)
Others	(37)	-
	<u>(1,142,248)</u>	<u>(1,228,098)</u>
	<u>5,343,810</u>	<u>5,146,733</u>

- 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 consumer 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.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the three months period ended March 31, 2011

March 31, December 31,
2011 2010
----- (Rupees in '000) -----

13 CONTINGENCIES AND COMMITMENTS

13.1 Transaction-related contingent liabilities / commitments

Guarantees in favour of:

- Government
- Banks and financial institutions
- Others
- Suppliers credit / payee guarantee

4,601,074	4,533,255
1,580,019	1,455,621
8,361,803	7,794,659
2,446,095	2,326,818
16,988,990	16,110,353
67,105,548	76,856,249

13.2 Trade-related contingent liabilities

13.3 Other contingencies

Claims against the Bank not acknowledged as debts

829,484	674,032
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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

22,635,578	20,154,200
------------	------------

Sale

24,242,638	22,245,693
------------	------------

13.6 Commitments for the acquisition of fixed assets

199,798	51,944
---------	--------

13.7 Other commitments

Cross currency swaps (notional amount)

143,127	153,126
---------	---------

13.8 Taxation

The income tax assessments of the Bank have been finalised upto and including the Tax Year 2010. For the Tax Years 2003 to 2009, the department has amended the assessments on certain issues against which the Bank has filed appeals. In respect of the Tax Year 2003 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided the matter in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). The management and the Bank's legal counsel are of the view that the issues will be decided in the Bank's favour as and when these are taken up by the appellate authorities. For Tax Year 2009, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 982.054 million against which the legal / appellate course from the Bank has reached ITAT level.

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

Three months ended
March 31, March 31,
2011 2010
---- (Rupees in '000) ----

14 BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX

Profit after taxation

5,112,890	4,241,632
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Number of shares

Weighted average number of shares outstanding during the period

760,214,979	760,214,979
-------------	-------------

Rupees

Basic and diluted earnings per share - after tax

6.73	5.58
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15 CREDIT RATING

PACRA through its notification in June 2010, 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 three months period ended March 31, 2011

16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Three months ended March 31, 2011					
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination
	----- (Rupees in '000) -----					
Total income	10,212	7,506,536	3,507,540	7,084,788	71,678	(25,440)
Total expenses	(7,651)	(1,459,525)	(7,132,321)	(1,572,564)	(39,446)	25,440
Income tax expense	-	-	-	-	-	-
Net income	2,561	6,047,011	(3,624,781)	5,512,224	32,232	-
Segment assets - (Gross of NPLs Provisions)	41,497	276,077,842	113,288,322	234,726,399	535,092	(709,094)
Advance taxation (payment less provision)	-	-	-	-	-	-
Total assets	41,497	276,077,842	113,288,322	234,726,399	535,092	(709,094)
Segment non performing loans	-	-	6,700,062	18,193,854	-	-
Segment specific provision required	-	-	5,376,326	14,599,279	-	-
Segment liabilities	3,976	24,748,306	463,859,918	29,698,803	24,644	(709,094)
Deferred tax liabilities - net	-	-	-	-	-	-
Total liabilities - net	3,976	24,748,306	463,859,918	29,698,803	24,644	(709,094)
Segment return on assets (ROA) (%)	-	10.88%	13.00%	12.87%	53.58%	-
Segment cost of fund (%)	-	11.39%	3.96%	3.01%	-	-

Three months ended March 31, 2010						
Total income	14,536	4,805,743	3,531,979	6,287,295	59,074	(29,469)
Total expenses	(6,404)	(472,984)	(7,261,806)	(540,398)	(29,986)	29,469
Income tax expense	-	-	-	-	-	-
Net income	8,132	4,332,759	(3,729,827)	5,746,897	29,088	-
Segment assets - (Gross of NPLs provision)	30,465	186,171,083	116,138,348	211,443,690	469,486	(551,717)
Advance taxation (payment less provision)	-	-	-	-	-	-
Total assets	30,465	186,171,083	116,138,348	211,443,690	469,486	(551,717)
Segment non performing loans	-	-	7,422,330	15,889,657	-	-
Segment specific provision required	-	-	5,282,699	11,309,155	-	-
Segment liabilities	1,648	5,461,290	393,204,237	23,430,909	450,084	(551,717)
Deferred tax assets	-	-	-	-	-	-
Total liabilities - net	1,648	5,461,290	393,204,237	23,430,909	450,084	(551,717)
Segment return on assets (ROA) (%)	-	10.33%	12.74%	12.57%	50.33%	-
Segment cost of fund (%)	-	11.56%	3.84%	3.58%	-	-

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

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 at arm's length basis under the comparable uncontrolled price and 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		Other Related Parties	
	Three months ended	Year ended	Three months ended	Year ended	Three months ended	Year ended
	March 31, 2011	Dec 31, 2010	March 31, 2011	Dec 31, 2010	March 31, 2011	Dec 31, 2010
(Rupees in '000)						
Deposits						
Deposits at beginning of the period / year	2,095,056	1,394,294	955,014	789,205	24,762,137	18,231,801
Deposits received during the period / year	11,416,864	51,883,458	28,507,845	108,743,238	62,890,203	224,429,580
Deposits repaid during the period / year	(11,847,166)	(51,182,696)	(28,571,959)	(108,577,429)	(64,162,563)	(217,899,244)
Deposits at the end of the period / year	1,664,754	2,095,056	890,900	955,014	23,489,777	24,762,137
Receivable from Pension Fund					12,842,560	12,542,560

	Directors		Associated companies		Other Related Parties	
	March 31, 2011	March / December 31, 2010	March 31, 2011	March / December 31, 2010	March 31, 2011	March / December 31, 2010
(Rupees in '000)						

Associates

Adamjee Insurance Company Limited

- Insurance claim settled
- Rent income
- Outstanding commitments and contingent liabilities

Adamjee Life Assurance Company Limited

- Insurance premium paid

Euronet Pakistan Private Limited

- ATM outsourcing revenue
- Training expenses reimbursed
- Capital injection
- Trade payable

Mayban International Trust (Labuan) Berhad

- Dividend paid
- Bonus shares issued
- Forward foreign exchange contracts (Notional)
- Unrealized loss on forward foreign exchange contracts

Other related parties

MCB Employees Foundation

- Service expenses
- Cash sorting expenses
- Stationary expenses
- Cash in transit expenses
- Advance receivable
- Payable for stationery expenses
- Security guard expenses

Others

- Remuneration of key management personnel
- Remuneration and non-executive directors' fees
- Miscellaneous expenses
- Contribution to provident fund

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

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)
For the three months period ended March 31, 2011

18 ISLAMIC BANKING BUSINESS

The statement of financial position of the Bank's Islamic Banking business as at March 31, 2011 is as follows:

	March 31, 2011	December 31, 2010
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	433,089	526,377
Investments - net	3,069,613	2,147,807
Financing and receivables		
- Murabaha	4,660,332	1,976,942
- Ijara	263,719	381,315
- Islamic export refinance	1,006,377	1,048,050
Deferred tax assets	365	1,846
Other assets	2,037,471	3,260,611
	11,470,966	9,342,948
Liabilities		
Bills payable	47,998	74,335
Deposits and other accounts		
- Current accounts	487,278	322,253
- Saving accounts	2,324,452	2,902,032
- Term deposits	2,908,982	2,960,509
- Others	62,758	166
Borrowing from SBP	1,164,750	1,079,000
Due to head office	3,000,000	657,640
Other liabilities	419,570	379,331
	10,415,788	8,375,266
Net assets	1,055,178	967,682
Represented by:		
Islamic Banking Fund	1,000,000	850,000
Unappropriated profit	55,857	121,110
	1,055,857	971,110
Deficit on revaluation of assets - net of tax	(679)	(3,428)
	1,055,178	967,682
CHARITY FUND		
Opening balance	1,763	1,998
Additions during the period / year		
Received from customers on delayed payments	935	1,621
Profit on charity saving account	28	144
	963	1,765
Payments / utilization during the period / year		
Social Welfare	-	-
Health	-	-
Education	-	-
Relief and disaster recovery	-	(2,000)
	-	(2,000)
Closing balance	2,726	1,763

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) For the three months period ended March 31, 2011

The profit and loss account of the Bank's Islamic banking business for the three months period ended March 31, 2011 is as follows:

	Quarter ended March 31, 2011 (Rupees in '000)	Quarter ended March 31, 2010
Income / return / profit earned	372,342	273,068
Income / return / profit expensed	263,049	184,744
Net Income / Profit	109,293	88,324
Provision against loans and advances - net	10,000	(20)
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	10,000	(20)
Net profit / income after provisions	99,293	88,344
Other income		
Fees, commission and brokerage income	12,434	7,852
Dividend income	-	-
Income from dealing in foreign currencies	7	1,620
Other Income	5,225	14,412
Total other income	17,666	23,884
	116,959	112,228
Other expenses		
Administrative expenses	61,102	44,796
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	-	-
Total other expenses	61,102	44,796
Extra ordinary / unusual items	-	-
Profit before taxation	55,857	67,432
Remuneration to Shariah Advisor / Board	420	316

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 consolidated condensed interim financial statements for the purpose of comparison. No significant reclassification has been made except for as follows:

Description	March 31, 2011 (Rupees in '000)	Reclassified	
		From	To
Commission on home remittance	38,319	Other income	Fee, commission and brokerage income
Fee paid to MCI issuer transactions	7,924	Markup / return / interest expense	Administrative expenses

20 NON-ADJUSTING EVENT

The Board of Directors in its meeting held on April 26, 2011 has announced cash dividend in respect of the three months period ended March 31, 2011 of Rs. 3.0 per share (March 31, 2010: Rs 2.50 per share). These consolidated condensed interim financial statements for the three months period ended March 31, 2011 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

21 DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on April 26, 2011 .


M.U.A. USMANI
President and Chief Executive


S.M. MUNEEER
Director


AFTAB AHMAD KHAN
Director


DATO' SERI ISMAIL SHAHUDIN
Director