

Bank

for Life

Third Quarterly Report 2011





### ***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:**

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

\* Subject to SBP's Approval

**AUDIT COMMITTEE:**

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

<b>Chief Financial Officer:</b>	Salman Zafar Siddiqi
<b>Company Secretary:</b>	Abdus S. Sami
<b>Auditors:</b>	A.F. Fergusons & Co. Chartered Accountants
<b>Legal Advisors:</b>	Khalid Anwer & Co. Advocates & Legal Consultants
<b>Registered Office:</b>	MCB Building F-6/G-6, Jinnah Avenue, Islamabad, Pakistan.
<b>Principal Office:</b>	MCB, 15-Main Gulberg, Lahore, Pakistan.
<b>Registrar's and Share Registration Office:</b>	M/s. THK Associates (Pvt.) Ltd. State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, Pakistan.



**DIRECTORS' REPORT - SEPTEMBER 2011**

I am pleased to place before you, on behalf of the Board of Directors, the financial statements of MCB Bank Limited for the period ended September 30, 2011.

**Financial Highlights**

	Rs. in Million
<b>Profit before taxation</b>	<b>24,165</b>
Taxation	(8,649)
<b>Profit after taxation</b>	<b>15,515</b>
Un-appropriated profit brought forward	21,415
Transfer from surplus on revaluation of fixed assets (net of tax)	27
	21,442
<b>Profit available for appropriation</b>	<b>36,957</b>
<b>Appropriations:</b>	
Statutory reserve	1,552
Final cash dividend – December 2010	2,281
Issue of bonus shares – December 2010	760
Interim cash dividend - March 2011	2,509
Interim cash dividend - June 2011	2,509
Total appropriations	9,610
<b>Un-appropriated profit carried forward</b>	<b>27,347</b>

**Dividend**

The Board has declared third interim cash dividend @ 30% for the period ended September 30, 2011. This is in addition to 60% interim cash dividends already paid during the year.

**Performance Review**

The Bank registered remarkable performance in the first nine months as profit before and after tax increased to Rs. 24.165 billion and Rs. 15.515 billion respectively, increasing by 25% and 24% over the corresponding period last year. Net Interest Income of the Bank increased by 22% to Rs. 32.922 billion over September 2010 with non markup income increasing by 32% to Rs. 6.077 billion. On the expenses side, gross administrative expenses (excluding the impact of pension fund reversal) increased with a controlled growth of 13% over Sep 2010, whereas provisions were reported at Rs. 2.734 billion.

The asset base of the Bank grew to Rs. 685.524 billion from Rs. 567.553 billion as at year end 2010. Advances (gross) of the Bank decreased to Rs. 263.564 billion by 4%, and the classified portfolio of the Bank registered an increase of 8% over December 31, 2010. The investment portfolio increased considerably by 45% over December 2010 with high concentration in risk free government securities. Total deposits of MCB Bank registered a healthy growth of 12% over December 2010, with 12% and 10% increase in current and saving deposits respectively, maintaining the CASA percentage at 81%. Earnings per share (EPS) for the nine months was reported at Rs. 18.55 compared to Rs. 14.94 for the corresponding period last year. Return on assets improved to 3.3% (2010: 3.13%) whereas return on equity improved to 28.21% (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, in its recent notification in July 2011 (2010: Long term: AA+ [double A plus] and Short term: A1+ [A one plus]).

**Awards**

MCB Bank Limited won two prestigious awards in the year; 'The Most Stable Bank' by CFA Association of Pakistan (CFAAP) and 'Best Bank in Pakistan' by Euromoney Awards.

**Economy Review**

The scarcity of resources coupled with double digit inflations continued to pressurize the industrial setups. Foreign remittances have been relatively consistent keeping the current account position at a comfortable level. However the decrease in Central Bank's foreign reserves also resulted in tighter liquidity conditions. The pace of GDP growth has been limited and the deteriorating exports coupled with energy crisis and recent floods have fomented negative perceptions and burdened external budgetary support. The cancellation of the IMF tranche also restricted the much anticipated inflow. The resolution on the inter-agency circular debt has brought some hope to untie upto 400 billion rupees into productive streams. Moreover, the sequential reductions in the discount rate is also stemming some positivity in the sector with government borrowing restricted below the budget. Low foreign financial inflows, exchange rate depreciation and seasonal factors have kept inflationary pressures strong and the likely shortages and upward adjustments in the energy prices has and will contribute to further trouble for the domestic and industrial sectors, if not particularly addressed in the short term.

**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. The government's reliance on internal and external debt although has been restricted, the reliance on taxes revenue collection stances and policies are unlikely to meet the liquidity shortfalls and rigid expenditures, as the targets are continued to be missed.

In the banking sector, major banks continue to post healthy profits, while infection ratio has been stagnant on an industry wide basis; 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 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

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

October, 25, 2011



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

As at September 30, 2011

		Unaudited September 30, 2011	Audited December 31, 2010
	Note	(Rupees in '000')	
<b>Assets</b>			
Cash and balances with treasury banks		44,374,565	45,407,183
Balances with other banks		938,220	1,478,569
Lendings to financial institutions	7	35,690,049	4,401,781
Investments - net	8	309,398,111	213,060,882
Advances - net	9	241,562,442	254,551,589
Operating fixed assets		21,176,083	20,947,540
Deferred tax assets - net		-	-
Other assets - net		32,384,651	27,705,069
		<u>685,524,121</u>	<u>567,552,613</u>
<b>Liabilities</b>			
Bills payable		6,680,400	10,265,537
Borrowings	10	86,620,660	25,684,593
Deposits and other accounts	11	482,938,016	431,371,937
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	5,917,796	4,934,018
Other liabilities		15,748,387	16,092,319
		<u>597,905,259</u>	<u>488,348,404</u>
		<u>87,618,862</u>	<u>79,204,209</u>
<b>Net assets</b>			
		<u>87,618,862</u>	<u>79,204,209</u>
<b>Represented by:</b>			
Share capital		8,362,365	7,602,150
Reserves		41,791,813	40,162,906
Un-appropriated profit		27,347,087	21,414,955
		<u>77,501,265</u>	<u>69,180,011</u>
Surplus on revaluation of assets - net of tax		10,117,597	10,024,198
		<u>87,618,862</u>	<u>79,204,209</u>

**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 / CEO

Tariq Rafi  
Director

Dato Seri Ismail Shahudin  
Director

Mian Umer Mansha  
Director



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

For the nine months period ended September 30, 2011

		Quarter ended September 30, 2011	Nine Months ended September 30, 2011	Quarter ended September 30, 2010	Nine Months ended September 30, 2010
	Note	(Rupees in '000')			
<b>Mark-up / return / interest earned</b>					
Mark-up / return / interest earned		16,771,015	49,613,398	13,845,153	40,241,121
Mark-up / return / interest expensed		6,075,672	16,690,929	4,560,406	13,259,716
Net mark-up / interest income		10,695,343	32,922,469	9,284,747	26,981,405
<b>Provision / (reversals) against loans and advances - net</b>					
Provision / (reversals) for diminution in the value of investments - net		248,739	2,488,565	(26,043)	1,867,569
Bad debts written off directly		21,064	217,722	(10,587)	114,072
		25,302	27,595	11,216	42,924
		295,105	2,733,882	(25,414)	2,024,565
Net mark-up / interest income after provisions		10,400,238	30,188,587	9,310,161	24,956,840
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		1,189,072	3,628,030	981,609	3,055,395
Dividend income		303,959	655,962	95,576	320,834
Income from dealing in foreign currencies		243,139	729,503	199,231	474,943
Gain on sale of securities - net		84,983	666,156	170,416	327,231
Unrealized gain on revaluation of investments classified as held for trading		-	-	-	-
Other income		102,973	397,098	153,054	412,476
Total non mark-up / interest income		1,924,126	6,076,749	1,599,886	4,590,879
		12,324,364	36,265,336	10,910,047	29,547,719
<b>Non-mark-up / interest expenses</b>					
Administrative expenses		4,153,240	11,312,410	3,483,624	9,400,111
Other provisions / (reversals)		3,449	(4,386)	35,165	39,473
Other charges		165,120	792,739	240,579	745,335
Total non mark-up / interest expenses		4,321,809	12,100,763	3,759,368	10,184,919
		8,002,555	24,164,573	7,150,679	19,362,800
Extra ordinary / unusual item		-	-	-	-
<b>Profit before taxation</b>		8,002,555	24,164,573	7,150,679	19,362,800
<b>Taxation</b>					
- current period		2,558,603	7,596,635	2,197,936	5,964,753
- prior years		320,000	320,000	-	-
- deferred		180,287	732,861	398,391	901,460
		3,058,890	8,649,496	2,596,327	6,866,213
<b>Profit after taxation</b>		4,943,665	15,515,077	4,554,352	12,496,587
Earnings per share - basic and diluted - Rupees	14	5.91	18.55	5.45	14.94

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

M.U.A. Usmani  
President / CEO

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Director

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Director

Mian Umer Mansha  
Director



**Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)**  
For the nine months period ended September 30, 2011

	Quarter ended September 30, 2011	Nine Months ended September 30, 2011	Quarter ended September 30, 2010	Nine Months ended September 30, 2010
	(Rupees '000')			
<b>Profit after tax for the period</b>	4,943,665	15,515,077	4,554,352	12,496,587
<b>Other comprehensive income</b>				
Effect of translation of net investment in foreign branches	35,137	77,399	52,175	94,723
<b>Comprehensive income transferred to equity</b>	4,978,802	15,592,476	4,606,527	12,591,310
<b>Components of comprehensive income not reflected in equity</b>				
Net change in fair value of available for sale securities	539,672	371,158	(403,606)	(528,631)
Deferred tax	(190,476)	(250,916)	115,413	110,048
	349,196	120,242	(288,193)	(418,583)
<b>Total comprehensive income for the period</b>	<b>5,327,998</b>	<b>15,712,718</b>	<b>4,318,334</b>	<b>12,172,727</b>

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Director



**Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)**  
For the nine months period ended September 30, 2011

	September 30, 2011	September 30, 2010
	(Rupees in '000')	
<b>Cash flows from operating activities</b>		
Profit before taxation	24,164,573	19,362,800
Less: Dividend income	(655,962)	(320,834)
	23,508,611	19,041,966
Adjustments for non-cash charges		
Depreciation	817,614	742,079
Amortization	173,255	114,017
Provision / (reversals) against loans and advances - net	2,488,565	1,867,569
Provision / (reversals) for diminution in the value of investments - net	217,722	114,072
Other provisions / (reversals)	(4,386)	39,473
Bad debts written off directly	27,595	42,924
Gain on disposal of fixed assets	(17,220)	(9,705)
	3,703,145	2,910,429
	27,211,756	21,952,395
(Increase) / decrease in operating assets		
Lendings to financial institutions	(31,288,268)	(6,865,072)
Advances - net	10,472,987	22,761,895
Other assets - net	(1,339,933)	(2,933,125)
	(22,155,214)	12,963,698
Increase / (decrease) in operating liabilities		
Bills payable	(3,585,137)	643,335
Borrowings	60,936,067	(30,609,597)
Deposits and other accounts	51,566,079	54,667,413
Other liabilities	(172,475)	(339,503)
	108,744,534	24,361,648
	113,801,076	59,277,741
Income tax paid	(11,116,039)	(9,611,697)
<b>Net cash flows from operating activities</b>	<b>102,685,037</b>	<b>49,666,044</b>
<b>Cash flows from investing activities</b>		
Net investments in available-for-sale securities	(97,303,977)	(42,002,776)
Net investments in held-to-maturity securities	1,172,704	784,604
Investment in subsidiary companies	-	(84,139)
Investment in associated undertaking	(52,521)	-
Dividend income received	520,103	324,647
Investment in operating fixed assets - net of disposals	(1,202,192)	(1,129,287)
<b>Net cash flows from investing activities</b>	<b>(96,865,883)</b>	<b>(42,106,951)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(7,469,520)	(5,968,426)
<b>Net cash flows from financing activities</b>	<b>(7,469,520)</b>	<b>(5,968,426)</b>
Exchange difference on translation of net investment in foreign branches	77,399	94,723
<b>Increase in cash and cash equivalents</b>	<b>(1,572,967)</b>	<b>1,685,390</b>
Cash and cash equivalents at beginning of the period	46,885,752	44,784,864
Cash and cash equivalents at end of period	45,312,785	46,470,254

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President / CEO

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Director

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Director

Mian Umer Mansha  
Director

**Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited)**  
For the nine months period ended September 30, 2011

	Share capital	Capital Reserves		Statutory reserve	Revenue Reserves		Total	
		Reserve for issue of bonus shares	Share premium		Exchange translation reserve	General reserve		Unappropriated profit
(Rupees in '000')								
<b>Balance as at January 01, 2010</b>	6,911,045	-	9,702,528	256,151	9,827,081	18,600,000	15,779,127	61,075,932
<b>Changes in equity for nine months ended September 30, 2010</b>								
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	-	-	-	94,723	-	-	-	94,723
Profit after taxation for nine months period ended September 30, 2010	-	-	-	-	-	-	12,496,587	12,496,587
Total comprehensive income for the period ended September 30, 2010	-	-	-	94,723	-	-	12,496,587	12,591,310
Transferred to statutory reserve	-	-	-	-	1,249,659	-	(1,249,659)	-
Transfer to reserve for issue of bonus shares	-	691,105	-	-	-	-	(691,105)	-
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)
Interim cash dividend - June 30, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)
<b>Balance as at September 30, 2010</b>	<b>7,602,150</b>	<b>-</b>	<b>9,702,528</b>	<b>350,874</b>	<b>11,076,740</b>	<b>18,600,000</b>	<b>19,751,223</b>	<b>67,083,515</b>
<b>Changes in equity for three months ended December 31, 2010</b>								
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	-	-	-	(4,895)	-	-	-	(4,895)
Profit after taxation for three months period ended December 31, 2010	-	-	-	-	-	-	4,376,588	4,376,588
Total comprehensive income for the period ended December 31, 2010	-	-	-	(4,895)	-	-	4,376,588	4,371,693
Transferred to statutory reserve	-	-	-	-	437,659	-	(437,659)	-
Interim cash dividend - September 30, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)
<b>Balance as at December 31, 2010</b>	<b>7,602,150</b>	<b>-</b>	<b>9,702,528</b>	<b>345,979</b>	<b>11,514,399</b>	<b>18,600,000</b>	<b>21,414,955</b>	<b>69,180,011</b>
<b>Changes in equity for nine months ended September 30, 2011</b>								
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	26,841	26,841
Exchange differences on translation of net investment in foreign branches	-	-	-	77,399	-	-	-	77,399
Profit after taxation for nine months period ended September 30, 2011	-	-	-	-	-	-	15,515,077	15,515,077
Total comprehensive income for the period ended September 30, 2011	-	-	-	77,399	-	-	15,515,077	15,592,476
Transferred to statutory reserve	-	-	-	-	1,551,508	-	(1,551,508)	-
Transfer to reserve for issue of bonus shares	-	760,215	-	-	-	-	(760,215)	-
Issue of bonus shares - December 31, 2010	760,215	(760,215)	-	-	-	-	-	-
Final cash dividend - December 31, 2010	-	-	-	-	-	-	(2,280,645)	(2,280,645)
Interim cash dividend - March 31, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)
Interim cash dividend - June 30, 2011	-	-	-	-	-	-	(2,508,709)	(2,508,709)
<b>Balance as at September 30, 2011</b>	<b>8,362,365</b>	<b>-</b>	<b>9,702,528</b>	<b>423,378</b>	<b>13,065,907</b>	<b>18,600,000</b>	<b>27,347,087</b>	<b>77,501,265</b>

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



M.U.A. Usmani  
President / CEO



Tariq Rafi  
Director



Dato Seri Ismail Shahudin  
Director



Mian Umer Mansha  
Director

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 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 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 1,142 branches including 14 Islamic banking branches (December 31, 2010: 1,125 branches including 14 Islamic banking branches) within Pakistan and 8 (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 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, 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.

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

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.

**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**

	September 30, 2011	December 31, 2010
Call money lendings	2,600,000	1,500,000
Repurchase agreement	33,090,049	2,901,781
	<u>35,690,049</u>	<u>4,401,781</u>

**8 INVESTMENTS - NET**

**8.1 Investments by types**

	September 30, 2011		
Note	Held by bank	Given as collateral	Total
	----- (Rupees in '000') -----		
Held-for-trading securities	-	-	-
Available-for-sale securities	226,935,046	71,721,463	298,656,509
Held-to-maturity securities	11,128,374	-	11,128,374
	<u>238,063,420</u>	<u>71,721,463</u>	<u>309,784,883</u>
Associates	1,059,421	-	1,059,421
Subsidiaries	482,208	-	482,208
	<u>1,541,629</u>	<u>-</u>	<u>1,541,629</u>
<b>Investments at cost</b>	<b>239,605,049</b>	<b>71,721,463</b>	<b>311,326,512</b>
Less: Provision for diminution in the value of investments	(2,821,254)	-	(2,821,254)
<b>Investments (net of provisions)</b>	<b>236,783,795</b>	<b>71,721,463</b>	<b>308,505,258</b>
Surplus / (deficit) on revaluation of available for sale securities - net	957,008	(64,155)	892,853
<b>Investments at revalued amounts - net of provisions</b>	<b><u>237,740,803</u></b>	<b><u>71,657,308</u></b>	<b><u>309,398,111</u></b>

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

		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>
<b>Investments at cost</b>		<b>203,815,039</b>	<b>11,840,440</b>	<b>215,655,479</b>
Less: Provision for diminution in the value of investments		(3,116,292)	-	(3,116,292)
<b>Investments (net of provisions)</b>		<b>200,698,747</b>	<b>11,840,440</b>	<b>212,539,187</b>
Surplus / (deficit) on revaluation of available for sale securities - net		534,095	(12,400)	521,695
<b>Investments at revalued amounts - net of provisions</b>		<b><u>201,232,842</u></b>	<b><u>11,828,040</u></b>	<b><u>213,060,882</u></b>

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 September 30, 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 September 30, 2011 amounted to Rs.1,928.523 million (December 31, 2010: Rs. 3,152.948 million).

**9 ADVANCES - NET**

		September 30, 2011		December 31, 2010	
		----- (Rupees in '000') -----			
Loans, cash credits, running finances, etc					
- In Pakistan		241,591,799		250,395,183	
- Outside Pakistan		10,790,549		9,104,266	
		<u>252,382,348</u>		<u>259,499,449</u>	
Net Investment in finance lease					
- In Pakistan		1,317,890		2,333,616	
- Outside Pakistan		125,865		86,429	
		<u>1,443,755</u>		<u>2,420,045</u>	
Bills discounted and purchased (excluding treasury bills)					
- Payable in Pakistan		938,118		1,274,149	
- Payable outside Pakistan		8,799,576		10,950,281	
		<u>9,737,694</u>		<u>12,224,430</u>	
<b>Advances - gross</b>		<b>263,563,797</b>		<b>274,143,924</b>	
Less: Provision against loans and advances					
- Specific provision	9.1	(21,512,000)		(18,930,571)	
- General provision		(263,564)		(274,144)	
- General provision against consumer loans		(207,869)		(357,352)	
- General Provision for potential lease losses (in Srilanka Operations)		(17,922)		(30,268)	
		<u>(22,001,355)</u>		<u>(19,592,335)</u>	
<b>Advances - net of provision</b>		<b><u>241,562,442</u></b>		<b><u>254,551,589</u></b>	



**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

9.1 Advances include Rs.26,463.107 million (December 31, 2010: Rs. 24,543.807 million) which have been placed under non-performing status as detailed below:

		September 30, 2011			Specific Provision Required	Specific Provision Held
		Classified Advances				
Category of Classification	Note	Domestic	Overseas	Total		
(Rupees in '000')						
Other Assets Especially Mentioned (OAEM)	9.1.1	31,030	-	31,030	-	-
Substandard		1,885,355	214	1,885,569	451,059	451,059
Doubtful		708,663	2	708,665	305,584	305,584
Loss		19,685,488	4,152,355	23,837,843	20,755,357	20,755,357
		<u>22,310,536</u>	<u>4,152,571</u>	<u>26,463,107</u>	<u>21,512,000</u>	<u>21,512,000</u>
		December 31, 2010			Specific Provision Required	Specific Provision Held
		Classified Advances				
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
		<u>20,424,064</u>	<u>4,119,743</u>	<u>24,543,807</u>	<u>18,930,571</u>	<u>18,930,571</u>

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

**September 30, December 31,**  
**2011 2010**  
----- (Rupees in '000') -----

**10 BORROWINGS**

In Pakistan	84,169,646	24,324,510
Outside Pakistan	2,451,014	1,360,083
	<u>86,620,660</u>	<u>25,684,593</u>

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

Borrowings from State Bank of Pakistan		
Export refinance scheme	8,881,197	9,880,240
Long term financing facility	1,148,034	721,000
Long term financing - export oriented products scheme	1,587,514	1,444,542
	<u>11,616,745</u>	<u>12,045,782</u>

Borrowings from other financial institutions	312,358	618,163
Repurchase agreement borrowings	71,738,216	12,027,499
	<u>72,050,574</u>	<u>12,645,662</u>
	83,667,319	24,691,444

**Unsecured**

Overdrawn nostro accounts	468,142	543,289
Call borrowings	2,485,199	449,860
	<u>2,953,341</u>	<u>993,149</u>
	<u>86,620,660</u>	<u>25,684,593</u>

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

**September 30, December 31,**  
**2011 2010**  
----- (Rupees in '000') -----

**11 DEPOSITS AND OTHER ACCOUNTS**

**Customers**

Fixed deposits	91,340,152	80,073,848
Savings deposits	217,809,693	196,015,213
Current accounts	164,393,629	144,545,488
Margin accounts	2,921,741	3,482,526
	<u>476,465,215</u>	<u>424,117,075</u>

**Financial institutions**

Remunerative deposits	4,621,150	4,128,090
Non-remunerative deposits	1,851,651	3,126,772
	<u>6,472,801</u>	<u>7,254,862</u>
	<u>482,938,016</u>	<u>431,371,937</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	787,797	802,248
Accelerated tax depreciation	825,909	839,989
Receivable from pension fund	4,964,958	4,389,896
Net investment in finance lease	29,850	119,394
Surplus on revaluation of securities	235,336	-
	<u>6,843,850</u>	<u>6,151,527</u>

**Deductible temporary differences on:**

Deficit on revaluation of securities	-	(15,580)
Provision for contributory benevolent scheme	(10,400)	(27,128)
Provision for post retirement medical benefits	(317,675)	(353,170)
Provision for bad debts	(597,979)	(821,631)
	<u>(926,054)</u>	<u>(1,217,509)</u>
	<u>5,917,796</u>	<u>4,934,018</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.

**September 30, December 31,**  
**2011 2010**  
----- (Rupees in '000') -----

**13 CONTINGENCIES AND COMMITMENTS**

**13.1 Transaction-related contingent liabilities / commitments**

**Guarantees in favour of:**

- Government	4,975,949	4,533,255
- Banks and financial institutions	2,167,423	1,455,621
- Others	8,239,485	7,794,659
Suppliers' credit / payee guarantee	2,401,816	2,326,818
	<u>17,784,672</u>	<u>16,110,353</u>

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

	September 30, 2011	December 31, 2010
	----- (Rupees in '000') -----	
<b>13.2 Trade-related contingent liabilities</b>	80,573,479	76,856,249
<b>13.3 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	861,630	674,032

**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.

	September 30, 2011	December 31, 2010
	----- (Rupees in '000') -----	

**13.5 Commitments in respect of forward foreign exchange contracts**

Purchase	28,947,916	20,154,200
Sale	29,400,104	22,245,693

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

	301,865	51,944
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**13.7 Other commitments**

Cross currency swaps (notional amount)	94,845	153,126
Forward Outright sale of Government Securities	700,000	-

**13.8 Taxation**

The income tax assessments of the Bank have been framed upto and including the Tax Year 2010. For the Tax Years 1997 to 2009, the department has amended the assessments on certain issues against the Bank. The Bank has filed appeals which are pending at various appellate forum. In respect of the Tax Year 1994 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided certain matters in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). 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. No provision has been made in the financial statements as 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.

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.

	September 30, 2011	September 30, 2010
	----- (Rupees in '000') -----	

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

Profit after taxation	15,515,077	12,496,587
	<b>Number of shares</b>	
Weighted average number of shares outstanding during the period	836,236,476	836,236,476
	<b>Rupees</b>	
Basic and diluted Earnings per share - after tax	18.55	14.94

**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 nine months period ended September 30, 2011

**16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

	Nine months ended September 30, 2011				
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	----- (Rupees in '000') -----				
Total income	77,209	25,049,031	10,026,947	20,536,960	55,690,147
Total expenses	(22,010)	(4,060,638)	(23,446,449)	(3,996,477)	(31,525,574)
Income tax expense	-	-	-	-	(8,649,496)
<b>Net income</b>	<b>55,199</b>	<b>20,988,393</b>	<b>(13,419,502)</b>	<b>16,540,483</b>	<b>15,515,077</b>
Segment assets - (Gross of NPLs Provisions)	-	362,502,218	117,690,242	221,110,487	701,302,947
Advance tax - net of provision	-	-	-	-	5,733,174
<b>Total assets</b>	<b>-</b>	<b>362,502,218</b>	<b>117,690,242</b>	<b>221,110,487</b>	<b>707,036,121</b>
Segment non performing loans	-	-	6,616,498	19,846,609	26,463,107
Segment specific provision required	-	-	5,378,586	16,133,414	21,512,000
Segment liabilities	-	80,669,859	482,686,407	28,631,197	591,987,463
Deferred tax liabilities - net	-	-	-	-	5,917,796
<b>Total liabilities - net</b>	<b>-</b>	<b>80,669,859</b>	<b>482,686,407</b>	<b>28,631,197</b>	<b>597,905,259</b>
Segment return on assets (ROA) (%)	-	9.21%	11.90%	13.36%	-
Segment cost of fund (%)	-	12.19%	4.16%	5.95%	-

	Nine months ended September 30, 2010				
Total income	81,965	16,053,369	9,843,107	18,853,559	44,832,000
Total expenses	(19,128)	(1,944,886)	(21,119,021)	(2,386,165)	(25,469,200)
Income tax expense	-	-	-	-	(6,866,213)
<b>Net income</b>	<b>62,837</b>	<b>14,108,483</b>	<b>(11,275,914)</b>	<b>16,467,394</b>	<b>12,496,587</b>
Segment assets - (Gross of NPLs provision)	-	241,056,365	105,819,637	207,713,232	554,589,234
Advance tax - net of provision	-	-	-	-	2,550,671
<b>Total assets</b>	<b>-</b>	<b>241,056,365</b>	<b>105,819,637</b>	<b>207,713,232</b>	<b>557,139,905</b>
Segment non performing loans	-	-	6,880,819	17,006,805	23,887,624
Segment specific provision required	-	-	5,085,540	12,569,550	17,655,090
Segment liabilities	-	12,031,041	420,458,648	27,694,302	460,183,991
Provision for taxation	-	-	-	-	3,988,155
<b>Total liabilities - net</b>	<b>-</b>	<b>12,031,041</b>	<b>420,458,648</b>	<b>27,694,302</b>	<b>464,172,146</b>
Segment return on assets (ROA) (%)	-	8.88%	13.03%	12.88%	-
Segment cost of fund (%)	-	11.22%	3.93%	4.84%	-

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months period ended September 30, 2011**

**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, 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	
	Nine months ended September 30, 2011	Year ended Dec 31, 2010	Nine months ended September 30, 2011	Year ended Dec 31, 2010	Nine months ended September 30, 2011	Year ended Dec 31, 2010	Nine months ended September 30, 2011	Year ended Dec 31, 2010
	(Rupees in '000')							
<b>Deposits</b>								
Deposits at beginning of the period / year	2,095,056	1,394,294	955,014	789,205	77,043	40,644	24,762,137	18,231,801
Deposits received during the period / year	23,275,733	51,883,458	128,044,380	108,743,238	744,623	827,231	191,057,788	224,429,580
Deposits repaid during the period / year	(22,065,896)	(51,182,696)	(128,319,599)	(108,577,429)	(768,910)	(790,832)	(191,195,261)	(217,899,244)
Deposits at the end of the period / year	3,304,893	2,095,056	679,795	955,014	62,756	77,043	24,624,664	24,762,137
<b>Advances (secured)</b>								
Balance at beginning of the period / year	-	-	-	-	112,548	1,141	-	-
Loan granted during the period / year	-	-	-	-	325,125	111,970	103,631	-
Repayment during the period / year	-	-	-	-	(468)	(563)	-	-
Balance at end of the period / year	-	-	-	-	437,205	112,548	103,631	-

**Deposits**

Deposits at beginning of the period / year	2,095,056	1,394,294	955,014	789,205	77,043	40,644	24,762,137	18,231,801
Deposits received during the period / year	23,275,733	51,883,458	128,044,380	108,743,238	744,623	827,231	191,057,788	224,429,580
Deposits repaid during the period / year	(22,065,896)	(51,182,696)	(128,319,599)	(108,577,429)	(768,910)	(790,832)	(191,195,261)	(217,899,244)
Deposits at the end of the period / year	3,304,893	2,095,056	679,795	955,014	62,756	77,043	24,624,664	24,762,137

**Advances (secured)**

Balance at beginning of the period / year	-	-	-	-	112,548	1,141	-	-
Loan granted during the period / year	-	-	-	-	325,125	111,970	103,631	-
Repayment during the period / year	-	-	-	-	(468)	(563)	-	-
Balance at end of the period / year	-	-	-	-	437,205	112,548	103,631	-

Receivable from Pension Fund

September 30, 2011	December 31, 2010
14,185,593	12,542,560

	Directors		Associated companies		Subsidiary companies		Other Related Parties	
	September 30, 2011	September 30 / December 31, 2010	September 30, 2011	September 30 / December 31, 2010	September 30, 2011	September 30 / December 31, 2010	September 30, 2011	September 30 / December 31, 2010
	(Rupees in '000')							

**Adanjee Insurance Company Limited**

Insurance premium paid	-	-	230,104	193,754	-	-	-	-
Insurance claim settled	-	-	44,304	72,241	-	-	-	-
Rent Income Received	-	-	3,111	4,769	-	-	-	-
Dividend received	-	-	54,051	85,171	-	-	-	-
Outstanding commitments and contingent liabilities	-	-	8,367	4,842	-	-	-	-
Commission Received	-	-	2,863	-	-	-	-	-

**Adanjee Life Assurance Company Limited**

Insurance Premium Paid	-	-	42,898	-	-	-	-	-
Outstanding commitments and contingent liabilities	-	-	500	-	-	-	-	-

**Euronet Pakistan Private Limited**

ATM Outsourcing Revenue	-	-	68,371	-	-	-	-	-
Capital injection	-	-	52,521	-	-	-	-	-
Trade payable	-	-	10,050	-	-	-	-	-

**Mayban International Trust (Labuan) Berhad**

Dividend paid	-	-	-	-	-	-	1,459,613	1,320,010
Bonus shares issued	-	-	-	-	-	-	152,043	138,221
Forward foreign exchange contracts (Notional)	-	-	-	-	-	-	1,476,598	-
Unrealized loss on forward foreign exchange contracts	-	-	-	-	-	-	5,895	-

**MNET Services (Private) Limited**

Dividend received	-	-	-	-	35,000	-	-	-
Outsourcing service expenses	-	-	-	-	50,684	54,830	-	-
Networking service expenses	-	-	-	-	-	10,212	-	-
Switch revenue	-	-	-	-	5	93	-	-
Payment system managed service revenue (PSM)	-	-	-	-	8,599	20,041	-	-
Payable for trade debts	-	-	-	-	12,569	25,887	-	-
Receivable for other expenses	-	-	-	-	3,449	-	-	-

**MCB Leasing" Closed Joint Stock Company**

Capital injection	-	-	-	-	-	84,138	-	-
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**MCB Financial Services Limited**

Dividend received	-	-	-	-	2,750	-	-	-
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**MCB Trade Services Limited**

Dividend received	-	-	-	-	4,664	9,929	-	-
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**Arif Habib Investments Limited (formerly MCB Asset Management Company Limited)**

Dividend received	-	-	-	-	29,898	-	-	-
Markup paid	-	-	-	-	2,065	310	-	-
Markup payable	-	-	-	-	-	235	-	-
Commission on distribution of units	-	-	-	-	15,762	-	-	-
Others	-	-	-	-	4,180	2,298	-	-

**MCB Employees Foundation**

Service expenses	-	-	-	-	-	-	16,120	13,232
Cash sorting expenses	-	-	-	-	-	-	25,488	19,855
Stationery Expenses	-	-	-	-	-	-	133,710	90,021
Cash in transit expenses	-	-	-	-	-	-	-	220
Security guard expenses	-	-	-	-	-	-	180,758	122,100
Other receivable	-	-	-	-	-	-	20,000	20,000
Payable for stationery expenses	-	-	-	-	-	-	24,602	394

**Others**

Remuneration of key management personnel	59,695	53,054	-	-	-	-	201,480	187,987
Miscellaneous expenses	-	-	-	-	-	-	151,575	124,666
Investment in Metro-Bank Pakistan Sovereign Fund-Perpetual	-	-	-	-	-	-	3,500,000	-
Dividend income	-	-	-	-	-	-	182,810	-
Contribution to provident fund	-	-	-	-	-	-	132,261	118,567

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

**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)  
For the nine months period ended September 30, 2011**

**18 ISLAMIC BANKING BUSINESS**

The statement of financial position of the Bank's Islamic Banking Branches as at September 30, 2011 is as follows:

**Assets**

Cash and balances with treasury banks	228,086	526,377
Investments - net	2,959,049	2,147,807
Financing and receivables		
- Murabaha	3,982,617	1,976,942
- Ijara	69,522	381,315
- Islamic export refinance	1,060,361	1,048,050
Deferred tax assets	-	1,846
Fixed assets	574,924	-
Other assets	1,372,987	3,260,611
	10,247,546	9,342,948

**Liabilities**

Bills payable	131,364	74,335
Deposits and other accounts		
- Current accounts	505,180	322,253
- Saving accounts	827,061	2,902,032
- Term deposits	4,502,795	2,960,509
- Others	976	166
Borrowing from SBP	1,059,814	1,079,000
Due to head office	1,631,970	657,640
Deferred tax liability	3,821	-
Other liabilities	425,007	379,331
	9,087,988	8,375,266
	1,159,558	967,682

**Net assets**

**Represented by:**

Islamic Banking Fund	1,000,000	850,000
Unappropriated profit	152,462	121,110

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

Remuneration to Shariah Advisor / Board

**Charity fund**

Opening Balance	1,763	1,998
<b>Additions during the year</b>		
Received from customers on delayed payments	1,326	1,621
Profit on Charity Saving Account	96	144
	1,422	1,765

**Less Distribution of Charity**

Social Welfare	-	-
Health	(500)	-
Education	-	-
Relief and Disaster Recovery	-	(2,000)
	(500)	(2,000)

**Closing Balance**

	2,685	1,763
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**Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)**  
**For the nine months period ended September 30, 2011**

The profit and loss account of the Bank's Islamic banking Branches for the nine months period ended September 30, 2011 is as follows:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
----- (Rupees in '000') -----		
Income / return / profit earned	1,098,049	753,616
Income / return / profit expensed	777,548	550,369
Net Income / Profit	320,501	203,247
Provision against loans and advances - net	22,000	(58)
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	22,000	(58)
Net profit / income after provisions	298,501	203,305
<b>Other income</b>		
Fees, commission and brokerage income	27,531	15,339
Dividend income	-	-
Income from dealing in foreign currencies	6,370	3,048
Other Income	33,759	37,477
Total other income	67,660	55,864
	366,161	259,169
<b>Other expenses</b>		
Administrative expenses	213,620	152,696
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	79	6
Total other expenses	213,699	152,702
Extra ordinary / unusual items	-	-
Profit before taxation	152,462	106,467



**MCB BANK LIMITED**

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

**19 GENERAL**

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

**20 NON-ADJUSTING EVENT**

The Board of Directors in its meeting held on October 25, 2011 has announced cash dividend in respect of the nine months period ended September 30, 2011 of Rs.3.00 per share (September 30, 2010: Rs 3.00 per share). These unconsolidated condensed interim financial statements for the nine months period ended September 30, 2011 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 October 25, 2011.

M.U.A. Usmani  
President / CEO

Tariq Rafi  
Director

Dato Seri Ismail Shahudin  
Director

Mian Umer Mansha  
Director



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

As at September 30, 2011

	Unaudited September 30, 2011	Audited December 31, 2010
<b>Assets</b>		
Cash and balances with treasury banks	44,374,655	45,407,264
Balances with other banks	1,005,942	1,551,518
Lendings to financial institutions	7 35,690,049	4,401,781
Investments - net	8 312,189,063	215,747,844
Advances - net	9 241,559,798	254,565,471
Operating fixed assets	21,651,985	21,061,787
Deferred tax assets - net	-	-
Other assets - net	32,547,471	27,746,198
	689,018,963	570,481,863
<b>Liabilities</b>		
Bills payable	6,680,400	10,265,537
Borrowings	10 86,620,660	25,684,593
Deposits and other accounts	11 482,886,004	431,295,499
Sub-ordinated loan	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	12 6,106,268	5,146,733
Other liabilities	15,799,231	16,090,374
	598,092,563	488,482,736
<b>Net assets</b>	90,926,400	81,999,127
<b>Represented by:</b>		
Share capital	8,362,365	7,602,150
Reserves	41,967,412	40,164,526
Un-appropriated profit	29,395,878	23,458,429
	79,725,655	71,225,105
Non-controlling interest	585,232	2,698
	80,310,887	71,227,803
Surplus on revaluation of assets - net of tax	10,615,513	10,771,324
	90,926,400	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 / CEO

Tariq Rafi  
Director

Dato Seri Ismail Shahudin  
Director

Mian Umer Mansha  
Director



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

For the nine months period ended September 30, 2011

	Quarter ended September 30, 2011	Nine Months ended September 30, 2011	Quarter ended September 30, 2010	Nine Months ended September 30, 2010
<b>Mark-up / return / interest earned</b>				
Mark-up / return / interest earned	16,793,872	49,657,914	13,847,114	40,246,684
Mark-up / return / interest expensed	6,080,588	16,697,012	4,559,577	13,257,779
Net mark-up / interest income	10,713,284	32,960,902	9,287,537	26,988,905
<b>Provision / (reversals) against loans and advances - net</b>				
Provision / (reversals) against loans and advances - net	248,739	2,488,565	(26,043)	1,867,569
Provision / (reversals) for diminution in the value of investments - net	21,064	217,722	(10,587)	114,072
Bad debts written off directly	25,302	27,595	11,216	42,924
	295,105	2,733,882	(25,414)	2,024,565
Net mark-up / interest income after provisions	10,418,179	30,227,020	9,312,951	24,964,340
<b>Non mark-up / interest income</b>				
Fee, commission and brokerage income	1,188,699	3,634,424	982,298	3,057,185
Income from trustee ship	4,724	15,281	5,537	16,923
Dividend income	303,959	529,702	59,542	227,420
Income from dealing in foreign currencies	243,061	732,293	199,581	475,293
Gain on sale of securities - net	119,473	689,246	189,555	345,153
Unrealized gain / (loss) on revaluation of investments classified as held for trading	(22,846)	10,436	(7,284)	11,855
Other income	178,216	610,334	251,939	618,513
Total non mark-up / interest income	2,015,286	6,221,716	1,681,168	4,752,342
	12,433,465	36,448,736	10,994,119	29,716,682
<b>Non-mark-up / interest expenses</b>				
Administrative expenses	4,208,360	11,534,121	3,579,480	9,592,487
Other provisions / (reversals)	3,449	(4,386)	35,165	39,473
Other charges	165,144	793,591	242,939	748,783
Total non mark-up / interest expenses	4,376,953	12,323,326	3,857,584	10,380,743
Share of profit of associated undertakings	(75,885)	139,127	(9,193)	165,201
	7,980,627	24,264,537	7,127,342	19,501,140
Extra ordinary / unusual item	-	-	-	-
<b>Profit before taxation</b>	7,980,627	24,264,537	7,127,342	19,501,140
Taxation - current period	2,567,782	7,619,916	2,206,510	5,984,639
- prior years	320,000	320,000	-	-
- deferred	190,847	752,931	399,958	912,939
Share of tax of associated undertakings	1,162	40,976	7,954	53,731
	3,079,791	8,733,823	2,614,422	6,951,309
<b>Profit after taxation</b>	4,900,836	15,530,714	4,512,920	12,549,831
Loss / (profit) attributable to non-controlling interest	(11,902)	(11,544)	818	1,808
<b>Profit attributable to ordinary share holders</b>	4,888,934	15,519,170	4,513,738	12,551,639
Earnings per share - basic and diluted - Rupees	14 5.85	18.56	5.40	15.01

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

M.U.A. Usmani  
President / CEO

Tariq Rafi  
Director

Dato Seri Ismail Shahudin  
Director

Mian Umer Mansha  
Director



**Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)**  
For the nine months period ended September 30, 2011

	Quarter ended September 30, 2011	Nine Months ended September 30, 2011	Quarter ended September 30, 2010	Nine Months ended September 30, 2010
----- (Rupees in '000') -----				
<b>Profit after tax for the period</b>	4,900,836	15,530,714	4,512,920	12,549,831
<b>Other comprehensive income</b>				
Effect of translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the bank	36,008	78,913	53,123	94,576
- Non-controlling interest	44	90	-	-
	36,052	79,003	53,123	94,576
<b>Comprehensive income transferred to equity</b>	4,936,888	15,609,717	4,566,043	12,644,407
<b>Components of comprehensive income not reflected in equity</b>				
Net change in fair value of available for sale securities	495,100	375,782	(403,606)	(528,631)
Deferred tax	(185,587)	(251,389)	115,413	110,048
	309,513	124,393	(288,193)	(418,583)
<b>Total comprehensive income for the period</b>	5,246,401	15,734,110	4,277,850	12,225,824

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

M.U.A. Usmani  
President / CEO

Tariq Rafi  
Director

Dato Seri Ismail Shahudin  
Director

Mian Umer Mansha  
Director



**Consolidated Condensed Interim Cash Flow Statement (Un-audited)**  
For the nine months period ended September 30, 2011

	September 30, 2011	September 30, 2010
----- (Rupees in '000') -----		
<b>Cash flows from operating activities</b>		
Profit before taxation	24,264,537	19,501,140
Less: Dividend income and share of profit of associated undertakings	(668,829)	(392,621)
	23,595,708	19,108,519
Adjustments for non-cash charges		
Depreciation	817,614	745,755
Amortization	173,255	114,170
Provision / (reversals) against loans and advances - net	2,488,565	1,867,569
Provision / (reversals) for diminution in the value of investments - net	217,722	114,072
Other provisions / (reversals)	(4,386)	39,473
Bad debts written off directly	27,595	42,924
Gain on disposal of fixed assets	(17,220)	(10,673)
Unrealized gain on revaluation of investments classified as held for trading	(10,436)	(11,855)
	3,692,709	2,901,435
	27,288,417	22,009,954
(Increase) / decrease in operating assets		
Lendings to financial institutions	(31,288,268)	(6,865,072)
Net investment in held for trading securities	922	(35,671)
Advances - net	10,489,513	22,761,479
Other assets - net	(1,425,326)	(3,027,604)
	(22,223,159)	12,833,132
Increase / (decrease) in operating liabilities		
Bills payable	(3,585,137)	643,335
Borrowings	60,936,067	(30,609,597)
Deposits and other accounts	51,590,505	54,638,884
Other liabilities	(164,052)	(303,198)
	108,777,383	24,369,424
	113,842,641	59,212,510
Income tax paid	(11,099,929)	(9,600,209)
<b>Net cash flows from operating activities</b>	102,742,712	49,612,301
<b>Cash flows from investing activities</b>		
Net investments in available-for-sale securities	(97,299,354)	(42,002,776)
Net investments in held-to-maturity securities	1,172,704	784,604
Net cash inflow on amalgamation of subsidiary	784	-
Proceeds from issue of shares to non-controlling interest	-	4,450
Investment in associated undertaking	(52,521)	-
Dividend income received	447,894	325,051
Investment in operating fixed assets - net of disposals	(1,199,867)	(1,148,042)
<b>Net cash flows from investing activities</b>	(96,930,360)	(42,036,713)
<b>Cash flows from financing activities</b>		
Dividend paid	(7,469,540)	(5,968,426)
<b>Net cash flows from financing activities</b>	(7,469,540)	(5,968,426)
Exchange difference on translation of net investment in foreign branches & subsidiaries	79,003	94,576
<b>Increase in cash and cash equivalents</b>	(1,578,185)	1,701,738
Cash and cash equivalents at beginning of the period	46,958,782	44,852,225
Cash and cash equivalents at end of period	45,380,597	46,553,963

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

M.U.A. Usmani  
President / CEO

Tariq Rafi  
Director

Dato Seri Ismail Shahudin  
Director

Mian Umer Mansha  
Director



**Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)**  
For the nine months period ended September 30, 2011

	Capital Reserves				Statutory reserve	Revenue Reserves		Total	Non-controlling interest	Total	
	Share capital	Reserve for issue of bonus shares	Share premium	Share premium on amalgamation		Exchange translation reserve	General reserve				Unappropriated profit
(Rupees in '000)											
<b>Balance as at January 01, 2010</b>	6,911,045	-	9,702,528	-	258,047	9,827,081	18,600,000	17,821,670	63,120,371	71	63,120,442
<b>Change in equity for nine months ended September 30, 2010</b>											
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	16,386	16,386	-	16,386
Profit after taxation for nine months period ended September 30, 2010	-	-	-	-	-	-	-	12,549,831	12,549,831	-	12,549,831
Loss attributable to non-controlling interest	-	-	-	-	-	-	-	1,808	1,808	(1,808)	-
Profit after taxation for nine months period ended September 30, 2010 attributable to ordinary share holders of the bank	-	-	-	-	-	-	-	12,551,639	12,551,639	(1,808)	12,549,831
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	-	94,576	-	-	-	94,576	-	94,576
<b>Total comprehensive income for the period ended September 30, 2010</b>	-	-	-	-	94,576	-	-	12,551,639	12,646,215	(1,808)	12,644,407
Share of capital attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	4,450	4,450
Transferred to statutory reserve	-	-	-	-	-	1,249,659	-	(1,249,659)	-	-	-
Transfer to reserve for issue of bonus shares	-	691,105	-	-	-	-	-	(691,105)	-	-	-
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)
Interim cash dividend - June 30, 2010	-	-	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
<b>Balance as at September 30, 2010</b>	7,602,150	-	9,702,528	-	352,623	11,076,740	18,600,000	21,848,860	69,182,901	2,713	69,185,614
<b>Change in equity for three months ended December 31, 2010</b>											
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	5,493	5,493	-	5,493
Profit after taxation for three months period ended December 31, 2010	-	-	-	-	-	-	-	4,322,295	4,322,295	-	4,322,295
Loss attributable to non-controlling interest	-	-	-	-	-	-	-	85	85	(85)	-
Profit after taxation for three months period ended December 31, 2010 attributable to ordinary share holders of the bank	-	-	-	-	-	-	-	4,322,380	4,322,380	(85)	4,322,295
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	-	(5,024)	-	-	(5,024)	70	(4,954)	-
<b>Total comprehensive income for the period ended December 31, 2010</b>	-	-	-	-	(5,024)	-	-	4,322,380	4,317,356	(15)	4,317,341
Transferred to statutory reserve	-	-	-	-	-	437,659	-	(437,659)	-	-	-
Interim cash dividend - September 30, 2010	-	-	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
<b>Balance as at December 31, 2010</b>	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
<b>Change in equity for nine months ended September 30, 2011</b>											
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	28,065	28,065	-	28,065
Profit after taxation for nine months period ended September 30, 2011	-	-	-	-	-	-	-	15,530,714	15,530,714	-	15,530,714
Profit attributable to non-controlling interest	-	-	-	-	-	-	-	(11,544)	(11,544)	11,544	-
Profit after taxation for nine months period ended September 30, 2011 attributable to ordinary share holders of the bank	-	-	-	-	-	-	-	15,519,170	15,519,170	11,544	15,530,714
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	-	78,913	-	-	-	78,913	90	79,003
<b>Total comprehensive income for the period ended September 30, 2011</b>	-	-	-	-	78,913	-	-	15,519,170	15,598,083	11,634	15,609,717
Transferred to statutory reserve	-	-	-	-	-	1,551,508	-	(1,551,508)	-	-	-
Transfer to reserve for issue of bonus shares	-	760,215	-	-	-	-	-	(760,215)	-	-	-
Issue of bonus shares - December 31, 2010	760,215	(760,215)	-	-	-	-	-	-	-	-	-
Adjustments pertaining to additional issue of share capital to non-controlling interest on amalgamation of MCB Assets Management Company Limited with Arif Habib Investments Limited	-	-	-	172,465	-	-	-	-	172,465	563,392	735,857
Minority share on revaluation of assets of subsidiary	-	-	-	-	-	-	-	-	-	7,528	7,528
Share of dividend attributable to non-controlling interest	-	-	-	-	-	-	-	-	-	(20)	(20)
Final cash dividend - December 31, 2010	-	-	-	-	-	-	-	(2,280,645)	(2,280,645)	-	(2,280,645)
Interim cash dividend - March 31, 2011	-	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
Interim cash dividend - June 30, 2011	-	-	-	-	-	-	-	(2,508,709)	(2,508,709)	-	(2,508,709)
<b>Balance as at September 30, 2011</b>	8,362,365	-	9,702,528	172,465	426,512	13,065,907	18,600,000	29,395,878	79,725,655	585,232	80,310,887

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

M.U.A. Usmani  
President / CEO

Tariq Rafi  
Director

Dato Seri Ismail Shahudin  
Director

Mian Umer Mansha  
Director



**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 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  
- MNET Services (Private) Limited  
- MCB Trade Services Limited  
- Arif Habib Investments Limited  
(Formerly MCB Asset Management Company Limited)  
- "MCB Leasing" Closed Joint Stock Company

99.99%  
99.95%  
100%  
51.33%  
95.00%

MCB Bank Limited ('the Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) (each representing two ordinary equity shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB 15-Main, Gulberg Lahore respectively. The Bank operates 1,142 branches including 14 Islamic banking branches (December 31, 2010: 1,125 branches including 14 Islamic banking branches) within Pakistan and 8 (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 Sep 30, 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 September 30, 2011.
- c) Non-controlling interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.



**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

**3 STATEMENT OF COMPLIANCE**

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

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

**3.3** The disclosures made in these consolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular 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 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 Bank's functional and presentation currency.

**5 SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT**

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

	September 30, 2011	December 31, 2010
	----- (Rupees in '000') -----	

**7. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	2,600,000	1,500,000
Repurchase agreement	33,090,049	2,901,781
	<u>35,690,049</u>	<u>4,401,781</u>



**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

Note	September 30, 2011		
	Held by bank	Given as collateral	Total
	----- (Rupees in '000') -----		
<b>8 INVESTMENTS - NET</b>			
<b>8.1 Investments by types</b>			
Held-for-trading securities	388,440	-	388,440
Available-for-sale securities	227,247,308	71,721,463	298,968,771
Held-to-maturity securities	11,128,374	-	11,128,374
	<u>238,764,122</u>	<u>71,721,463</u>	<u>310,485,585</u>
Adamjee Insurance Company Limited	3,498,597	-	3,498,597
First Women Bank Limited	63,300	-	63,300
Euronet Pakistan Private Limited	54,922	-	54,922
	<u>3,616,819</u>	<u>-</u>	<u>3,616,819</u>
<b>Investments at cost</b>	<u>242,380,941</u>	<u>71,721,463</u>	<u>314,102,404</u>
Less: Provision for diminution in the value of investments	(2,821,254)	-	(2,821,254)
<b>Investments (net of provisions)</b>	<u>239,559,687</u>	<u>71,721,463</u>	<u>311,281,150</u>
Surplus / (deficit) on revaluation of available for sale securities - net	961,632	(64,155)	897,477
Surplus on revaluation of held-for-trading securities - net	10,436	-	10,436
<b>Investments at revalued amounts - net of provisions</b>	<u>240,531,755</u>	<u>71,657,308</u>	<u>312,189,063</u>
	-----		
	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	190,043,994	11,840,440	201,884,434
Held-to-maturity securities	12,302,080	-	12,302,080
	<u>202,694,604</u>	<u>11,840,440</u>	<u>214,535,044</u>
Adamjee Insurance Company Limited	3,703,265	-	3,703,265
First Women Bank Limited	63,300	-	63,300
	<u>3,766,565</u>	<u>-</u>	<u>3,766,565</u>
<b>Investments at cost</b>	<u>206,461,169</u>	<u>11,840,440</u>	<u>218,301,609</u>
Less: Provision for diminution in the value of investments	(3,116,292)	-	(3,116,292)
<b>Investments (net of provisions)</b>	<u>203,344,877</u>	<u>11,840,440</u>	<u>215,185,317</u>
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
<b>Investments at revalued amounts - net of provisions</b>	<u>203,919,804</u>	<u>11,828,040</u>	<u>215,747,844</u>



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

For the nine months period ended September 30, 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 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 September 30, 2011 amounted to Rs.1,928.523 million (December 31, 2010: Rs. 3,152.948 million).

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

	September 30, 2011	December 31, 2010
	(Rupees in '000')	
Opening Balance	3,703,265	3,339,710
Share of profit for the period / year before tax	136,616	269,513
Dividend from associate	(54,051)	(85,171)
Share of tax	(40,866)	(29,333)
	41,699	155,009
Share of unrealized surplus on assets -net of tax	(246,367)	208,546
Closing Balance	3,498,597	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%**

	September 30, 2011
	(Rupees in '000)
Investment made during the year	52,521
Share of profit for the period before tax	2,511
Share of tax	(110)
	2,401
Closing Balance	54,922

**9 ADVANCES - NET**

	September 30, 2011	December 31, 2010
	(Rupees in '000')	
Loans, cash credits, running finances, etc		
- In Pakistan	241,154,704	250,283,213
- Outside Pakistan	10,790,549	9,104,266
Net Investment in finance lease	251,945,253	259,387,479
- In Pakistan	1,317,780	2,333,037
- Outside Pakistan	560,426	212,860
	1,878,206	2,545,897
Bills discounted and purchased (excluding treasury bills)		
- Payable in Pakistan	938,118	1,274,149
- Payable outside Pakistan	8,799,576	10,950,281
	9,737,694	12,224,430
<b>Advances - gross</b>	263,561,153	274,157,806
Less: Provision against loans and advances		
- Specific provision	(21,512,000)	(18,930,571)
- General provision	(263,564)	(274,144)
- General provision against consumer loans	(207,869)	(357,352)
- General Provision for potential lease losses (in Srilanka Operations)	(17,922)	(30,268)
	(22,001,355)	(19,592,335)
<b>Advances - net of provision</b>	241,559,798	254,565,471

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

For the nine months period ended September 30, 2011

**9.1** Advances include Rs.26,463.107 million (December 31, 2010: Rs. 24,543.807 million) which have been placed under non-performing status as detailed below:

		September 30, 2011			Specific Provision Required	Specific Provision Held
		Classified Advances				
Category of Classification	Note	Domestic	Overseas	Total		
(Rupees in '000')						
Other Assets Especially Mentioned (OAE)	9.1.1	31,030	-	31,030	-	-
Substandard		1,885,355	214	1,885,569	451,059	451,059
Doubtful		708,663	2	708,665	305,584	305,584
Loss		19,685,488	4,152,355	23,837,843	20,755,357	20,755,357
		22,310,536	4,152,571	26,463,107	21,512,000	21,512,000

		December 31, 2010			Specific Provision Required	Specific Provision Held
		Classified Advances				
Category of Classification	Note	Domestic	Overseas	Total		
(Rupees in '000')						
Other Assets Especially Mentioned (OAE)	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 OAE as per the requirements of the Prudential Regulation for Agricultural Financing issued by the State Bank of Pakistan.

	September 30, 2011	December 31, 2010
	(Rupees in '000')	
<b>10 BORROWINGS</b>		
In Pakistan	84,169,646	24,324,510
Outside Pakistan	2,451,014	1,360,083
	86,620,660	25,684,593

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

	September 30, 2011	December 31, 2010
<b>Secured</b>		
Borrowings from State Bank of Pakistan		
Export refinance scheme	8,881,197	9,880,240
Long term financing facility	1,148,034	721,000
Long term financing - export oriented products scheme	1,587,514	1,444,542
	11,616,745	12,045,782
Borrowings from other financial institutions	312,358	618,163
Repurchase agreement borrowings	71,738,216	12,027,499
	72,050,574	12,645,662
	83,667,319	24,691,444
<b>Unsecured</b>		
Overdrawn nostro accounts	468,142	543,289
Call borrowings	2,485,199	449,860
	2,953,341	993,149
	86,620,660	25,684,593



**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

	September 30, 2011	December 31, 2010
	----- (Rupees in '000') -----	
<b>11 DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	91,315,152	80,049,848
Savings deposits	217,808,611	195,987,483
Current accounts	164,367,699	144,520,780
Margin accounts	2,921,741	3,482,526
	<u>476,413,203</u>	<u>424,040,637</u>
<b>Financial institutions</b>		
Remunerative deposits	4,621,150	4,128,090
Non-remunerative deposits	1,851,651	3,126,772
	<u>6,472,801</u>	<u>7,254,862</u>
	<u>482,886,004</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	793,134	808,054
Accelerated tax depreciation	848,370	853,349
Receivable from pension fund	4,964,958	4,389,896
Net investment in finance lease	29,850	119,372
Investments in associated undertaking	206,502	202,332
Surplus on revaluation of securities	235,809	-
Others	3,946	1,828
	<u>7,082,569</u>	<u>6,374,831</u>

**Deductible temporary differences on:**

Deficit on revaluation of securities	-	(15,580)
Provision for gratuity	(1,083)	(1,083)
Provision for contributory benevolent scheme	(10,400)	(27,128)
Provision for post retirement medical benefits	(317,675)	(353,170)
Provision for bad debts	(597,979)	(821,631)
Taxable losses	(49,164)	(9,506)
	<u>(976,301)</u>	<u>(1,228,098)</u>
	<u>6,106,268</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.

**13 CONTINGENCIES AND COMMITMENTS**

**13.1 Transaction-related contingent liabilities / commitments**

**Guarantees in favour of:**

	September 30, 2011	December 31, 2010
	----- (Rupees in '000') -----	
- Government	4,975,949	4,533,255
- Banks and financial institutions	2,167,423	1,455,621
- Others	8,239,485	7,794,659
Suppliers' credit / payee guarantee	2,401,816	2,326,818
	<u>17,784,672</u>	<u>16,110,353</u>



**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

	September 30, 2011	December 31, 2010
	----- (Rupees in '000') -----	
<b>13.2 Trade-related contingent liabilities</b>	80,573,479	76,856,249
<b>13.3 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	861,630	674,032
<b>13.4 Commitments to extend credit</b>		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
<b>13.5 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	28,947,916	20,154,200
Sale	29,400,104	22,245,693
	<u>301,865</u>	<u>51,944</u>
<b>13.6 Commitments for the acquisition of fixed assets</b>		
<b>13.7 Other commitments</b>		
Cross currency swaps (notional amount)	94,845	153,126
Forward Outright sale of Government Securities	700,000	-
<b>13.8 Taxation</b>		

The income tax assessments of the Bank have been framed upto and including the Tax Year 2010. For the Tax Years 1997 to 2009, the department has amended the assessments on certain issues against the Bank. The Bank has filed appeals which are pending at various appellate forum. In respect of the Tax Year 1994 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided certain matters in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). 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. No provision has been made in the financial statements as 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.

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.

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

	September 30, 2011	September 30, 2010
	----- (Rupees in '000') -----	
Profit after taxation	15,519,170	12,551,639
	<b>Number of shares</b>	
Weighted average number of shares outstanding during the period	836,236,476	836,236,476
	<b>Rupees</b>	
Basic and diluted Earnings per share - after tax	18.56	15.01

**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 nine months period ended September 30, 2011

**16 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

	Nine months ended September 30, 2011						Total
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination	
	(Rupees in '000')						
Total income	94,983	25,010,386	10,081,974	20,645,243	255,265	(69,094)	56,018,757
Total expenses	(38,500)	(4,078,352)	(23,478,838)	(4,062,334)	(165,290)	69,094	(31,754,220)
Income tax expense	-	-	-	-	-	-	(8,733,823)
<b>Net income</b>	<b>56,483</b>	<b>20,932,034</b>	<b>(13,396,864)</b>	<b>16,582,909</b>	<b>89,975</b>	<b>-</b>	<b>15,530,714</b>
Segment assets - (Gross of NPLs Provisions)	65,001	364,120,148	118,225,552	222,093,138	1,345,934	(1,042,805)	704,806,968
Advance tax - net of provision	-	-	-	-	-	-	5,723,995
<b>Total assets</b>	<b>65,001</b>	<b>364,120,148</b>	<b>118,225,552</b>	<b>222,093,138</b>	<b>1,345,934</b>	<b>(1,042,805)</b>	<b>710,530,963</b>
Segment non performing loans	-	-	6,616,498	19,846,609	-	-	<b>26,463,107</b>
Segment specific provision required	-	-	5,378,586	16,133,414	-	-	<b>21,512,000</b>
Segment liabilities	2,290	81,197,913	482,852,040	28,934,017	42,840	(1,042,805)	591,986,295
Deferred tax liabilities - net	-	-	-	-	-	-	6,106,268
<b>Total liabilities - net</b>	<b>2,290</b>	<b>81,197,913</b>	<b>482,852,040</b>	<b>28,934,017</b>	<b>42,840</b>	<b>(1,042,805)</b>	<b>598,092,563</b>
Segment return on assets (ROA) (%)	-	9.16%	11.91%	13.37%	25.29%	-	-
Segment cost of fund (%)	-	12.19%	4.16%	5.95%	-	-	-

	Nine months ended September 30, 2010						Total
	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Asset Management	Elimination	
Total income	100,595	12,221,518	18,378,652	14,319,830	190,564	(46,932)	45,164,227
Total expenses	(32,113)	(1,956,534)	(21,174,755)	(2,437,546)	(109,071)	46,932	(25,663,087)
Income tax expense	-	-	-	-	-	-	(6,951,309)
<b>Net income</b>	<b>68,482</b>	<b>10,264,984</b>	<b>(2,796,103)</b>	<b>11,882,284</b>	<b>81,493</b>	<b>-</b>	<b>12,549,831</b>
Segment assets - (Gross of NPLs provision)	45,140	242,157,105	106,340,394	208,653,225	521,318	(544,294)	557,172,888
Advance tax - net of provision	-	-	-	-	-	-	2,519,302
<b>Total assets</b>	<b>45,140</b>	<b>242,157,105</b>	<b>106,340,394</b>	<b>208,653,225</b>	<b>521,318</b>	<b>(544,294)</b>	<b>559,692,190</b>
Segment non performing loans	-	-	6,880,819	17,006,805	-	-	<b>23,887,624</b>
Segment specific provision required	-	-	5,085,540	12,569,550	-	-	<b>17,655,090</b>
Segment liabilities	-	12,234,034	420,546,900	27,859,802	35,196	(544,294)	<b>460,131,638</b>
Provision for taxation	-	-	-	-	-	-	<b>4,004,657</b>
<b>Total liabilities - net</b>	<b>-</b>	<b>12,234,034</b>	<b>420,546,900</b>	<b>27,859,802</b>	<b>35,196</b>	<b>(544,294)</b>	<b>464,136,295</b>
Segment return on assets (ROA) (%)	-	8.85%	13.05%	12.87%	48.74%	-	-
Segment cost of fund (%)	-	11.22%	3.93%	4.84%	-	-	-

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For the nine months period ended September 30, 2011

**17 RELATED PARTY TRANSACTIONS**

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

Transactions between the Group and its related parties are carried 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	
	Nine months ended September 30, 2011	Year ended Dec 31, 2010	Nine months ended September 30, 2011	Year ended Dec 31, 2010	Nine months ended September 30, 2011	Year ended Dec 31, 2010
	(Rupees in '000')					
<b>Deposits</b>						
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	23,275,733	51,883,458	128,044,380	108,743,238	191,057,788	224,429,580
Deposits repaid during the period / year	(22,065,896)	(51,182,696)	(128,319,599)	(108,577,429)	(191,195,261)	(217,899,244)
Deposits at the end of the period / year	3,304,893	2,095,056	679,795	955,014	24,624,664	24,762,137
<b>Advances (secured)</b>						
Balance at beginning of the period / year	-	-	-	-	-	-
Loan granted during the period / year	-	-	-	-	103,631	-
Repayment during the period / year	-	-	-	-	-	-
Balance at end of the period / year	-	-	-	-	103,631	-

Receivable from Pension Fund

September 30, 2011	December 31, 2010
14,185,593	12,542,560

	Directors		Associated companies		Other Related Parties	
	September 30, 2011	September 30 / December 31, 2010	September 30, 2011	September 30 / December 31, 2010	September 30, 2011	September 30 / December 31, 2010
	(Rupees in '000')					
<b>Adamjee Insurance Company Limited</b>						
Insurance premium paid	-	-	230,104	193,754	-	-
Insurance claim settled	-	-	44,304	72,241	-	-
Rent Income Received	-	-	3,111	4,769	-	-
Dividend received	-	-	54,051	85,171	-	-
Outstanding commitments and contingent liabilities	-	-	8,367	4,842	-	-
Commission Received	-	-	2,863	-	-	-
<b>Adamjee Life Assurance Company Limited</b>						
Insurance Premium Paid	-	-	42,898	-	-	-
Outstanding commitments and contingent liabilities	-	-	500	-	-	-
<b>Euronet Pakistan Private Limited</b>						
ATM Outsourcing Revenue	-	-	68,371	-	-	-
Capital injection	-	-	52,521	-	-	-
Trade payable	-	-	10,050	-	-	-
<b>Mayban International Trust (Labuan) Berhad</b>						
Dividend paid	-	-	-	-	1,459,613	1,320,010
Bonus shares issued	-	-	-	-	152,043	138,221
Forward foreign exchange contracts (Notional)	-	-	-	-	1,476,598	-
Unrealized loss on forward foreign exchange contracts	-	-	-	-	5,895	-
<b>MCB Employees Foundation</b>						
Service expenses	-	-	-	-	16,120	13,232
Cash sorting expenses	-	-	-	-	25,488	19,855
Stationery Expenses	-	-	-	-	133,710	90,021
Cash in transit expenses	-	-	-	-	-	220
Security guard expenses	-	-	-	-	160,758	122,100
Other receivable	-	-	-	-	20,000	20,000
Payable for stationery expenses	-	-	-	-	24,602	394
<b>Others</b>						
Remuneration of key management personnel	59,695	53,054	-	-	201,480	187,987
Miscellaneous expenses	-	-	-	-	151,575	124,666
Investment in Metro-Bank Pakistan Sovereign Fund-Perpetual	-	-	-	-	3,500,000	-
Dividend income	-	-	-	-	182,810	-
Contribution to provident fund	-	-	-	-	132,261	118,567

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



**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

**18 ISLAMIC BANKING BUSINESS**

The statement of financial position of the Bank's Islamic Banking Branches as at September 30, 2011 is as follows:

	September 30, 2011	December 31, 2010
	----- (Rupees in '000') -----	
<b>Assets</b>		
Cash and balances with treasury banks	228,086	526,377
Investments - net	2,959,049	2,147,807
Financing and receivables		
- Murabaha	3,982,617	1,976,942
- Ijara	69,522	381,315
- Islamic export refinance	1,060,361	1,048,050
Deferred tax assets	-	1,846
Fixed assets	574,924	-
Other assets	1,372,987	3,260,611
	<b>10,247,546</b>	<b>9,342,948</b>
<b>Liabilities</b>		
Bills payable	131,364	74,335
Deposits and other accounts		
- Current accounts	505,180	322,253
- Saving accounts	827,061	2,902,032
- Term deposits	4,502,795	2,960,509
- Others	976	166
Borrowing from SBP	1,059,814	1,079,000
Due to head office	1,631,970	657,640
Deferred tax liability	3,821	-
Other liabilities	425,007	379,331
	<b>9,087,988</b>	<b>8,375,266</b>
<b>Net assets</b>	<b>1,159,558</b>	<b>967,682</b>
<b>Represented by:</b>		
Islamic Banking Fund	1,000,000	850,000
Unappropriated profit	152,462	121,110
	<b>1,152,462</b>	<b>971,110</b>
Surplus / (deficit) on revaluation of assets - net of tax	7,096	(3,428)
	<b>1,159,558</b>	<b>967,682</b>
Remuneration to Shariah Advisor / Board	1,363	1,424
<b>Charity fund</b>		
Opening Balance	1,763	1,998
<b>Additions during the year</b>		
Received from customers on delayed payments	1,326	1,621
Profit on Charity Saving Account	96	144
	<b>1,422</b>	<b>1,765</b>
<b>Less Distribution of Charity</b>		
Social Welfare	-	-
Health	(500)	-
Education	-	-
Relief and Disaster Recovery	-	(2,000)
	<b>(500)</b>	<b>(2,000)</b>
<b>Closing Balance</b>	<b>2,685</b>	<b>1,763</b>



**Notes to the Consolidated Condensed Interim Financial Statements (Un-audited)**  
For the nine months period ended September 30, 2011

The profit and loss account of the Bank's Islamic banking Branches for the nine months period ended September 30, 2011 is as follows:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	----- (Rupees in '000') -----	
Income / return / profit earned	1,098,049	753,616
Income / return / profit expensed	777,548	550,369
Net Income / Profit	320,501	203,247
Provision against loans and advances - net	22,000	(58)
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<b>22,000</b>	<b>(58)</b>
Net profit / income after provisions	298,501	203,305
<b>Other income</b>		
Fees, commission and brokerage income	27,531	15,339
Dividend income	-	-
Income from dealing in foreign currencies	6,370	3,048
Other Income	33,759	37,477
Total other income	67,660	55,864
	<b>366,161</b>	<b>259,169</b>
<b>Other expenses</b>		
Administrative expenses	213,620	152,696
Other provisions / write offs	-	-
Other charges (Penalty paid to SBP)	79	6
Total other expenses	213,699	152,702
Extra ordinary / unusual items	-	-
Profit before taxation	152,462	106,467

**19 GENERAL**

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

**20 NON-ADJUSTING EVENT**

The Board of Directors in its meeting held on October 25, 2011 has announced cash dividend in respect of the nine months period ended September 30, 2011 of Rs.3.00 per share (September 30, 2010: Rs 3.00 per share). These consolidated condensed interim financial statements for the nine months period ended September 30, 2011 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 October 25, 2011.

 M.U.A. Usmani President / CEO	 Tariq Rafi Director	 Dato Seri Ismail Shahudin Director	 Mian Umer Mansha Director
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